



COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the year ended June 30, 2007
SOUTHFIELD, MICHIGAN

City of Southfield, Michigan

Comprehensive Annual Financial Report For The Fiscal Year Ended June 30, 2007

**Fiscal Services Division
Accounting Department**

Table of Contents

PAGE

I. INTRODUCTORY SECTION

LETTER OF TRANSMITTAL.....	1
ORGANIZATIONAL CHART	13
ELECTED OFFICIALS AND CITY ADMINISTRATOR	14

II. FINANCIAL SECTION

REPORT OF INDEPENDENT AUDITORS	16
--------------------------------------	----

MANAGEMENT'S DISCUSSION AND ANALYSIS	18
--------------------------------------------	----

BASIC FINANCIAL STATEMENTS:

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

Statement of Net Assets.....	28
Statement of Activities	29

GOVERNMENTAL FUNDS:

Balance Sheet-Governmental Funds	30
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	31
Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds.....	32
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds, to the Statement of Activities	33

PROPRIETARY FUNDS:

Statement of Net Assets.....	34
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	35
Statement of Cash Flows	36

FIDUCIARY FUNDS:

Statement of Fiduciary Net Assets	38
Statement of Changes in Fiduciary Net Assets.....	39

COMPONENT UNITS:

Statement of Net Assets – Discretely Presented Component Units.....	40
Statement of Activities – Discretely Presented Component Units	41

NOTES TO THE FINANCIAL STATEMENTS:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	42
A. Reporting Entity	42
B. Basis of Presentation.....	45
C. Basis of Accounting.....	47
D. Assets, Liabilities, and Equity	48
2. COMPLIANCE AND ACCOUNTABILITY	49
A. Budgetary Data	49
B. Individual Fund Deficit Disclosures	50
3. DETAILED NOTES ON ALL FUNDS.....	50
A. Deposits and Investments	50
B. Receivables and Deferred Revenues.....	58
C. Capital Assets	59
D. Long-term Debt and Other Obligations	61
E. Reconciliation of the Adopted Budget to Final Presentation	63
F. Interfund balances and Transfers	65

Table of Contents

	PAGE
<u>NOTES TO THE FINANCIAL STATEMENTS (continued):</u>	
4. OTHER INFORMATION	67
A. Fund Balance Designations and Reserves	67
B. Property Taxes	68
C. Contingencies	68
D. Pension Trusts	69
E. Other Post-employment Benefits	72
F. Deferred Compensation Plan.....	74
G. Prior Period Adjustments	74
<u>REQUIRED SUPPLEMENTARY INFORMATION:</u>	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	76
Schedule of Funding Progress.....	77
Schedule of Employer Contributions	79
<u>NONMAJOR GOVERNMENTAL FUNDS:</u>	
<u>Combining Fund Statements and Schedules:</u>	
Combining Balance Sheet – Non-major Governmental Funds	80
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds	81
<u>Individual Fund Statements and Schedules:</u>	
Combining Balance Sheet – Non-major Governmental Funds – Special Revenue Funds.....	84
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds – Special Revenue Funds.....	86
<u>Statement of Revenues, Expenditures, and Changes in Fund Balances – Special Revenue Funds – Final Budget and Actual:</u>	
Major Street Fund.....	88
Local Street Fund	89
Municipal Street Fund.....	90
Parks and Recreation Fund.....	91
Cable Television Fund.....	92
Block Grant Fund	93
Section 8 Housing Fund	94
Drug Law Enforcement Fund.....	95
Library Fund.....	96
Michigan Works Fund.....	97
Auto Theft Fund	98
Combining Balance Sheet – Non-major Governmental Funds – Debt Service Funds.....	101
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds – Debt Service Funds.....	102
Combining Balance Sheet – Non-major Governmental Funds – Capital Project Funds.....	104
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds – Capital Project Funds	105
<u>INTERNAL SERVICE FUNDS:</u>	
Combining Statement of Net Assets.....	107
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets.....	108
Combining Statement of Cash Flows	109

Table of Contents

	PAGE
FIDUCIARY FUNDS:	
<u>Trust:</u>	
Combining Statement of Fiduciary Net Assets – Pension (and other Post Employment Benefits) Trust Funds.....	111
Combining Statement of Changes in Fiduciary Net Assets – Pension Trust Funds.....	112
<u>Agency:</u>	
Combining Statement of Fiduciary Net Assets – Agency Funds.....	115
Combining Statement of Changes in Assets and Liabilities – Agency Funds	116

III. STATISTICAL SECTION

FUND INFORMATION:	
Governmental Expenditures by Function	118
Governmental Revenues by Source.....	119
Property Tax Levies and Collections.....	120
Assessed Value of Taxable Property	121
Property Tax Rates -- Direct and Overlapping Governments	122
Special Assessment Billings and Collections	123
Computation of Direct and Overlapping Debt.....	124
Statement of Legal Debt Margin	125
Ratio of Net General Debt to Taxable Value and Net Bonded Debt Per Capita.....	126
Ratio of Annual Debt Service Expenditures for General Bonded Debt To Total General Expenditures	126
Demographic Statistics.....	127
Summary of Demand and Savings Deposit.....	128
Construction and Property Value	129
Economic and Statistical History	130
History of Constitutional Tax Rate Rollback Factors Required Under Proposal E (The “Headlee” Amendment)	134
General Fund Balance Compared to Annual Expenditures	135
Authorized Positions	136
Insurance Coverage	137
Management Group (Exempt) Personnel Salary Schedule.....	138



City of Southfield

26000 Evergreen Rd. • P.O. Box 2055 • Southfield, MI 48037-2055 • www.cityofsouthfield.com

October 20, 2008

Honorable Mayor and Council
Municipal Building
Southfield, Michigan

RE: 2006-07 COMPREHENSIVE ANNUAL FINANCIAL REPORT LETTER OF TRANSMITTAL

Dear Sirs and Mesdames:

The Comprehensive Annual Financial Report of the City of Southfield, Michigan, for the fiscal year ended June 30, 2007, is submitted herewith, in accordance with provisions of the Southfield City Charter and the laws of the State of Michigan. This report, prepared by the City's Fiscal Services staff, represents the official report of the City's financial operations and condition to the City's residents, elected officials, investment firms, rating agencies and other interested parties. Responsibility for the accuracy, completeness and fairness of the financial data herein, including all disclosures, rests with the City. The annual audit of the City of Southfield financial statements was conducted by the independent accounting firm of Plante & Moran, PLLC.

This report also includes a separate section on Component Units, as required by Statement Number 14 of the Government Accounting Standards Board (GASB). Component units are included because of the significance of their operational or financial relationships with the City. The component unit columns in the combined financial statements include the financial data of the City's six component units. These units are reported in a separate column to emphasize that they are legally separate from the City. They include the Local Development Finance Authority, the Tax Increment Finance Authority, the Economic Development Corporation, Cornerstone Development Authority, Brownfield Redevelopment Authority, Joint-Local Development Finance Authority and the Non-Profit Housing Authority. Descriptions of each component unit appear in Note 1 A of this report.

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial and Statistical. The introductory section, which is un-audited, includes this letter of transmittal, an organizational chart and a list of the City of Southfield's principal elected and appointed officials. The financial section, which is audited, includes the Management Discussion and Analysis, basic financial statements and the combining and individual fund statements and schedules. The statistical section, which is un-audited, includes selected financial and demographic information, generally presented on a multi-year basis.

The enclosed data is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and the results of operations of various funds of the City. This letter should be read in conjunction with the Management's Discussion and Analysis. Included are disclosures necessary to enable the reader to gain an understanding of the City's financial activities.

Mayor
Brenda L. Lawrence

Council President
Joan Seymour

City Clerk
Nancy L. M. Banks

City Treasurer
Irv M. Lowenberg

City Council

Donald F. Fracassi

Myron A. Frasier

Sylvia Jordan

Sidney Lantz

William Lattimore

Kenson J. Siver

City of Southfield

Letter of Transmittal

The City of Southfield is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget's Circular A-133, *Audits of State and Local Governments*. The single audit report includes independent auditor review and comments on internal controls, legal/regulatory compliance, and any findings of questioned costs.

SOUTHFIELD – Municipal Overview

The City of Southfield has continued to experience substantial growth and progress since its incorporation on April 28, 1958. Southfield offers the best of Michigan and the Midwest – an international center of business and commerce close to quaint, tree-lined neighborhoods.

Located in the heart of southeastern Michigan, with easy access to most major Detroit-area expressways, *Southfield – The Center of It All™*, offers both a cosmopolitan, culturally diverse residential population of more than 78,000 residents and a thriving international business center. Situated in Oakland County, Southfield offers a complete living community, featuring a nationally recognized public school system, 10 colleges and universities, and more than 700 acres of park land. With a daytime population nearing 175,000 and over 26 million square feet of office space, Southfield is truly Michigan's undisputed business center. Residents and businesses alike come to Southfield for its central location and easy access to all of southeastern Michigan.

In addition to the City's extensive business community, Southfield is also a model of multiculturalism. Its residential and business populations reflect the world's diversity. Southfield residents celebrate the rich tapestry of cultural, religious and racial heritage in the community. Southfield provides excellent quality of life; preeminent City services; central location; and diverse and affordable housing, with neighborhoods ranging from urban town homes to pastoral country sides.

Southfield's business community dates back to the mid 1950s. Corporations seeking spacious suburban offices were attracted to Southfield, and within a half-decade, dozens of high-profile firms called Southfield home. Growth was spurred by the nation's first regional shopping center, Northland Center, which opened in Southfield in 1954; yet today, it remains a major retail center. City leaders showed considerable foresight over the years in creating a high-visibility business community along major roadways, with neighborhoods strategically tucked into adjacent acreage and subdivisions.

Southfield is operated under a Council/Administrator form of government. The seven-member City Council is elected at two-year intervals on a non-partisan ballot; the three highest vote-getters receive four-year terms and the fourth serves a two-year term. The Council President, who presides over meetings, is elected by Council colleagues. Special Council committees review and make policy recommendations on finance, zoning, transportation, state legislation, appointments and other key issues.

The Mayor, elected to a four-year term on a non-partisan ballot, has veto power over Council actions but does not vote on legislative matters. A two-thirds Council majority vote is needed to override a Mayoral veto. The Mayor also appoints the City Attorney, City Assessor, City Planner and Emergency Management Director, with appointment confirmation by City Council.

Also elected to four-year terms, the City Clerk and City Treasurer serve in full-time capacities. The City Administrator, appointed by and reporting directly to City Council, serves as chief administrative officer and oversees daily operations and policy implementation.

The City's elected officials hold memberships and often play a leadership role in a wide range of professional organizations, including the National League of Cities, Michigan Municipal League, United

City of Southfield

Letter of Transmittal

States Conference of Mayors, Municipal Clerks' Association, Municipal Treasurers' Association, and the Government Finance Officers' Association.

Management also holds leadership positions or participates in numerous professional organizations, including the International City/County Management Association, Michigan Government Finance Officers' Association, American Public Works Association, International Code Council, Building Owners and Managers' Association, National Association of Telecommunication Officers and Advisors, Public Relations Society of America, and the City-County Communications & Marketing Association.

Southfield is served by many long-tenured elected officials and administrative staff. A new Mayor was elected for the first time in 29 years in 2001; the City Treasurer retired in 2005 after 35 years of service with the City; the Director of Public Works also retired in 2005 after more than 33 years of service; and the City Librarian retired in 2007 after 35 years of service to the community. Council members average more than 10 years of service.

The City's Exempt Service Staff consists of management group employees selected by authorized elected or appointed officials. These positions are executive level, in general, and not part of the civil service system. The Mayor and Council utilize the annual budget process to review salary ranges for exempt personnel. Other City employment classifications are reviewed either through collective bargaining or the Civil Service Commission.

Attracting and retaining highly qualified management personnel is among the City's ongoing objectives. The average tenure of the City's management groups is more than 20 years, providing notable stability and leadership for City operations. Within the group, many hold advanced academic degrees, numerous professional designations and professional certification in their respective fields. In addition, many have earned special recognition through election to state or national association offices, as instructors for professional seminars, or as guest lecturers at universities.

As a result of its position as Michigan's office and high-tech capital, Southfield's 26 million square feet of office/commercial space is home to approximately 8,600 businesses, including more than 80 "Fortune 500" companies and 350-plus high-tech firms – more than any other Michigan city. Southfield also boasts more than seven million square feet of retail and industrial/high-tech space. With more office space than the central business districts of Cleveland, Cincinnati, Detroit, Indianapolis or Kansas City, Southfield is clearly recognized as a regional business hub.

On April 28, 2008, the City of Southfield celebrated its 50th anniversary of incorporation as a city. To commemorate this historic occasion, the City formed an official 50th Anniversary Steering Committee comprised of residents, community and business leaders, and City staff to plan a special year of community celebration that has been 50 years in the making. The City held several signature events, programs and activities that will generate significant public interest and support. Southfield pulled out all the stops to celebrate the City's golden jubilee. From the Southfield's Got Talent competition to the commemorative Liberty Elm tree program, there was something for everyone. The public, from Southfield and all of metro Detroit, were invited to join local and state elected officials, corporate sponsors and the media as history is made in 2008.

Residents have 88 homeowners groups and 43 condominium associations representing their interests. The community offers over 18,000 single-family homes and more than 17,000 multi-family apartments and townhouses. Within Southfield's 26.7 square miles, residential zoning comprises 64 percent of land use, yet 56 percent of the community's tax revenues are generated from business properties. Though considered nearly fully developed, Southfield continues to both grow and redevelop to meet the community's ever-

City of Southfield

Letter of Transmittal

changing needs. In 2006-07 fiscal year, the Southfield Building Department issued 1,030 building permits valued at over \$100 million, a positive indicator of a stable market.

With 15 percent of the metro area's speculative office space, Southfield remains the largest submarket in metro Detroit. Intersected by I-696, US 10, US 24, M-39, M-10 and many other major highways, Southfield is centrally located for convenient access to businesses, their customers and suppliers. Its central location also places Southfield 20 minutes away from Detroit Metropolitan Airport and downtown Detroit, as well as most other metro-area communities. As home to 25 percent of all Oakland County's businesses, 25 percent of its international firms and 50 percent of its Japanese firms, Southfield is also an important international business community.

The City of Southfield is the original home of the Automation Alley SmartZone™, the Great Lakes Interchange, one of the first State-designated high-tech and information technology clusters. The Michigan Legislature and Michigan Economic Development Corporation developed the concept of SmartZones in an effort to promote high technology business development and job creation in the region. The Great Lakes Interchange provides a centrally located site where technology-based firms, entrepreneurs and researchers can work in close proximity to a wealth of other community assets. With a cluster of companies that are established on both a national and global scale, the Great Lakes Interchange region is ranked third in the nation for the number of technology companies and fourth in total employment in high-tech industries. Oakland County, Rochester Hills, Troy, Lawrence Technological University, Oakland University, and Automation Alley are all partners in the Great Lakes Interchange SmartZone. Our SmartZone has contributed in building Michigan's reputation as one of the nation's leading technology states.

More than 350 high-technology, information-technology, and telecommunications firms have a corporate presence in Southfield. An impressive 98% of the City is accessible to high-speed fiber optics, broadband and satellite services, and several backbones traverse the community. Major telecommunications firms appreciate Southfield's extensive infrastructure, access to a footprint of citywide fiber optics and central location. More than 40 telecommunications firms are represented in Southfield, including AT&T, Verizon, Sprint, Comcast, LDMI, Level 3 Communications, and MCI. More than 90 software development companies also have a presence in Southfield, including the industry's largest: IBM, Microsoft, UGS Corp., Sun Microsystems, Cisco Systems, and many others.

Other key high-tech industries represented in Southfield include major electronic media and satellite facilities such as Hughes Satellite, national affiliates ABC, CBS, FOX, The CW Television Network (formerly WB Network) and Infinity Broadcasting, parent company of five metro-area radio stations. Healthcare and life science-based businesses also abound in Southfield, including Blue Cross/Blue Shield of Michigan, Blue Care Network, St. John's Providence Hospital, Housey Pharmaceuticals, Lumigen and several others.

Some of the world's leading research and development firms also are based in Southfield, including Lear Corporation (world headquarters), Denso International (North American headquarters), BASF, GE, Honda Research and Development America, Eaton Corporation, Sverdrup Technologies, Panasonic Automotive Electronics, Autoliv Electronics - North America and many others.

Lear Corporation has called Southfield home since 1967. Since that time, the company has grown to be one of the largest automotive interior suppliers in the world. Lear recently completed a \$70.8 million expansion of their world headquarters campus. The expansion brought approximately 200 new jobs to Southfield as well as the improved overall appearance of the area. Lear purchased seven businesses near their

City of Southfield

Letter of Transmittal

headquarters along Telegraph between Eight and Nine Mile Roads to enable the expansion project that included construction of a new 106,000-square-foot, three-story world corporate headquarters building.

Construction began in the fall of 2004 and was completed in the first quarter of 2006. The company also invested in major landscaping improvements along with an additional 1,400 parking spaces to better reflect its status as one of the world's leading suppliers of automotive interiors.

Despite a soft economy, Southfield continues to attract new development and redevelopment projects. Verizon Wireless completed a \$30 million investment in a Mobile Telephone Switching Office (MTSO). This 21,312-square-foot space is equipped to handle network activity for a geographic territory of more than 500 square-miles and a population of more than 1.5 million people. The MTSO ensures that Verizon will have the capacity to accommodate their customers' needs in the event of an emergency or natural disaster.

Evergreen Atrium, a new 6,700-square-foot retail building housing three restaurants opened in the fall of 2006. The building is located in the heart of the "City Centre" on the west side of Evergreen Road just south of I-696. The new restaurants "Chipotle," Mexican restaurant, "Pot Belly," gourmet sandwiches, and "Beaners," coffee shop provide Southfield residents and business people alike with even more dining options in this busy part of the City.

Cloverleaf Plaza began the demolishment of the existing Sunoco gasoline station at 29001 Telegraph Road and Gorman's Golf building at 24520 Twelve Mile Road to construct a one-story, 15,827-square-foot retail center with associated on-site parking and adjacent leased parking. The property is located at 24520 Twelve Mile, the northwest corner of Telegraph and Twelve Mile Roads.

Construction the new 7,881-square-foot, two-story Tyrone Taylor Office Building at the southwest corner of Northwestern Highway and Lee Baker Drive was completed in 2007.

A new 126,000-square-foot Target store was constructed on Southfield Road between 12 & 13 Mile Roads on 11 acres at the former CMI Health Club site. The new Target store brought more than 200 new jobs to the city as well as another major retailer for consumers. The store joined several other newer projects in the area, including the \$60 million new Spring Haven housing development across the street.

Best Buy moved into the vacant Media Play site at the Tel-Twelve Shopping Center with a new \$4 million, 44,620-square-foot store. Also at Tel-Twelve, Pet Smart refurbished the former Circuit City store to the tune \$1.4 million, joining the new Meijer concept store and other tenants to revitalize this important shopping center.

Tower Ventures began demolition of the existing office building and home at 25150 Evergreen just north of 10 Mile Road to construct a new one story, multi-tenant 6,400 square feet shopping center.

White Valley Associates submitted a site plan to construct the one-story, 14 room Odyssey Healthcare Hospice facility located at 25285 Eleven Mile Road at the southwest corner of Eleven Mile and Franklin Roads.

Progressive Insurance began demolition of former Arrowsmith Building and construction of a new 16,561 square feet claim center at 23811 Telegraph Road, northwest corner of Garner and Telegraph Roads. Southfield Gateway, L.L.C. constructed a 93,312-square-foot, one-story office and warehouse facility for Corporate Express, an office furniture company, on the former Southfield Driving Range property located between Northwestern Highway and Southfield Road.

City of Southfield

Letter of Transmittal

The Southfield Town Center completed an extensive multi-million dollar renovation and improvement of town center buildings and parking structures. The initiative included new parking structure entrances for all towers; renovation of the common areas of the 1000, 2000, 3000 and 4000 towers; and new signage for the new parking structures and retail tenants.

The City of Southfield was certified as one of several cities for the Michigan Suburban Alliance's "Redevelopment Ready" pilot program. The Redevelopment Ready Communities (RRC) project is the result of an innovative new certification process designed by developers and public officials to measure municipal preparedness for in-fill investment. The goal of the RRC project is to change market perceptions of older communities by streamlining local government administrative processes and removing redevelopment barriers through a certification system that encourages redevelopment.

Southfield is among a select group of cities to achieve certification after meeting an extensive set of criteria. An independent third party reviewed community processes and certified that Southfield's planning and economic development operations meet the benchmark. This system for certifying communities as "redevelopment ready" benefits both older communities and developers by creating a more efficient and predictable redevelopment process.

The Partnership for Redevelopment, a collaboration with the Michigan Economic Development Corporation and the Michigan State Housing Development Authority, is designed to enhance the RRC project and help communities realize new investment. A few examples of the RRC project requirements include communicating information throughout the community on the need for redevelopment and its benefits in addition to demonstrating the community's commitment and ability to work with investors.

In order for the City of Southfield to maintain its position as a leading business center in southeast Michigan, the City is shaping its future for the 21st Century with the development of a new Comprehensive Master Plan. Once completed, the Plan will provide an excellent opportunity to further advance the City as a "best practices" first-tier community success story in the region.

As a first-tier community, neither fully urban nor completely suburban, Southfield needs a plan that will blend the old with the new. A public participation program will incorporate ideas from those who know Southfield best—the residents and business community. Each step of the planning process will involve communication between the City, residents, business owners and community stakeholders. When completed, the City of Southfield's Comprehensive Master Plan will state policies and recommendations for the physical development of the City. The Plan will address issues and opportunities; land use; housing; transportation; utilities and community facilities; environmental resources; economic development; community character/image; intergovernmental cooperation; and implementation.

The City of Southfield's central location, extensive business community and varied demographic composition uniquely positions Southfield to exert a positive influence on the future growth and development of metropolitan Detroit. While there were many policies and procedures shaping the City's success over the years, the time has come for Southfield to develop a new plan for the future. Current City land use decisions have evolved from major new developments to infill and redevelopment. The Plan will give the City guidance when deciding future new development, redevelopment and capital improvement projects. It will also document the City's planning history, and complement the City's Strategic Plan. The implementation of the new Comprehensive Master Plan will preserve the best of Southfield and serve as a catalyst for change where it is needed. Southfield's various districts, corridors and neighborhoods deserve a new Comprehensive Master Plan to sustain the city as a viable community through the 21st Century and beyond.

City of Southfield

Letter of Transmittal

The Southfield Brownfield Redevelopment Authority provides major tools and incentives for businesses to revitalize “brownfields,” which are environmentally contaminated or functionally obsolete properties. These tools include tax increment financing and small business tax credits to potential developers of brownfield properties. The ability to offer incentives of this magnitude enables Southfield to entice new development to areas that may otherwise be overlooked due to the additional costs of redevelopment. In recent years, the Southfield Brownfield Authority has facilitated the redevelopment of several key parcels in our community, including the Lear Corporation World Headquarters, Spring Haven housing development (former Southfield Downs Trailer Park), and the renovation of Tel-Twelve Mall.

An essential component of the City’s vitality is its attractive, diverse, and affordable housing. Southfield continues to attract new residential development with a number of single family and multi-family homes approved, under construction or completed in the 2006-07 fiscal year. Spring Haven Villas/Pointe is a mixed use development of 170 urban town homes and 57 detached site condos located on the east side of Southfield Road between Twelve and Thirteen Mile Roads. An 11,000-square-foot retail development is in the planning stages for the Southfield Road property at the east entrance to the Spring Haven/Villas residential development. Lochmoor Estates, a 34-unit detached site condominium development located on the south side of Ten Mile Road between Lahser and Berg Roads, is in the final phases of construction. Bella Gardens, a 28-unit attached site condo and 9-unit detached site condo development is located at the northeast corner of Lahser Road and Duns Scotus. The Villas at Cornerstone is a mixed use development consisting of 182 townhomes and carriage homes and a 9,200 square feet commercial building with a coffee shop and dry cleaners located at the northwest corner of Eight Mile Road and Northland Drive. Christopher Woods is a 23-unit attached site condominiums development located at the southwest corner of Pebblecreek Parkway and 12 Mile Road. These dynamic new projects will have a positive impact on the immediate neighborhoods and the City as a whole.

In the Cornerstone District, the Cornerstone Development Authority (CDA) has experienced success with condominium conversion. The North Park Place apartments were purchased and converted into condos with average sale prices in the \$140s. The Eagle’s Landing apartments were also sold to a developer who has completed renovations to the north tower for a condominium conversion. This project has provided much needed new life to this once-challenged property.

The CDA and St. John Providence Hospital partnered together to launch the Southfield Farmer’s Market in May of 2007 at the Millennium Centre. The Farmer’s Market provides locally grown fruits, vegetables, flowers, plants, jams, gourmet cheeses and wines sold by the farmers that produce them. The Market is open every Thursday, rain or shine, during the months of June through October. Also in the district, Providence Hospital continues to be a world-class institution as southeast Michigan’s only National Top 100 Heart Hospital for the past seven consecutive years.

The City sold \$12.5 million of Michigan Transportation Fund Bonds with a net interest rate of 3.84 percent in 2005 to fund the Southfield Major Street Improvement Program and the City’s contribution to the long awaited I-696/Franklin Interchange project. The City was awarded \$4.6 million in federal highway transportation funds that supplemented state funds to finance the I-696/Franklin Interchange, culminating a lengthy and complex planning/funding process. The project consisted of two new freeway service ramps to the I-696 freeway at Northwestern Highway to complete the Telegraph Road/I-696/M-10 Interchange. It also included an eastbound I-696 off-ramp at Franklin Road connecting to American Drive and a westbound on-ramp from Franklin Road immediately north of the Franklin Road Bridge over I-696. Work began in the spring of 2006 and major construction was completed in the fall of 2006. Significant economic, safety and logistical benefits have been realized as well as reduced congestion and improved emergency access. Further, the ramp provides convenient access to the City’s SmartZone and the American

City of Southfield

Letter of Transmittal

Commerce Center Park, enhancing the development and redevelopment potential of this key area of the City.

In a continuing effort to increase efficiency and productivity by utilizing the latest technology, the City of Southfield installed new residential and commercial water meters in various sections of the City in fiscal year 2006-07 and acquired automatic meter readers. The City also continued to maintain its infrastructure with the installation of a new 24" water main on Southfield Road from Twelve Mile to Thirteen Mile Roads, a new meter at Thirteen Mile and Southfield Road for the high pressure main, and implementation of a Supervisory Control and Data Acquisition System (SCADA) as well as permanent standby generators for sanitary lift stations. These improvements, as well as completion of a Sanitary Sewer Evaluation Study and Water Master Plan, will continue to ensure that Southfield's water and sewer system remains safe and efficient for many years to come.

In July of 2006, work began on the Plaza Deck Improvement Project, a major capital improvement at the Southfield Municipal Complex. Bids were received for the demolition and repair of the waterproof barrier, concrete deck, drainage system and installation of 80,000 square feet of new concrete pavers. The plaza deck project was designed and managed in-house by City staff at a significant cost savings. The completed project includes: 4,000 square feet of new gardens and new perimeter planters, new picnic tables, benches and bike racks. The landscaped areas emphasize color and texture with low maintenance flowers, shrubs, trees, and ground covers. The Plaza Deck Improvement Project was completed in the fall of 2006, transforming a formerly abandoned and dysfunctional space into a user and environmentally-friendly area that both citizens and employees can enjoy year-round.

Southfield continues to preserve and protect woodlands and wetlands with over 380 acres of natural areas set aside for preservation. As part of this effort, the City acquired the Carpenter Lake area to enable the \$3.5 million Carpenter Lake Restoration Project. The City has made recreational site improvements, including reconstructing the existing dam and dredging the lake to restore it to its original size. The Department of Public Works, in cooperation with the Department of Parks and Recreation, has worked to develop the Carpenter Lake Nature Preserve on the Ravines Branch of the Rouge River. In 2006 Phase 1 of the project was completed. This phase consisted of removing accumulated sediments from the lower portion of the lake and rebuilding the dam, which was undersized and failing. The restoration of the lake was completed in 2007 including creation of the underwater fish habitat and shoreline wetlands for wildlife. The lake was restocked with native game fish in the fall of 2007. The site development phase began construction in 2007 and will be completed in 2008. The preserve will feature interpretive nature trails and accessible fishing platforms on the lake of the 42-acre property. The Carpenter Lake Nature Preserve Project is funded with the assistance of a National Wet Weather Demonstration Project Grant from the Environmental Protection Agency through the Rouge Program Office in the amount of \$1,030,000 and by a \$500,000 Michigan Natural Resources Trust Fund grant from the Michigan Department of Natural Resources. The new preserve will open to the public in 2008. A new nature interpretive center is also being planned for the reserve to open at a later date.

Curb appeal is important in maintaining the City's image and character; to that end, Public Works undertook several initiatives to ensure the City's streets, sidewalks, neighborhoods and business districts remain safe, clean and appealing. Initiatives included the continuation of programs for snow and ice removal, mowing and sweeping of three County roads: Lahser, 10 Mile and 12 Mile Roads; an extra sweep through residential streets; increased right-of-way mowing; and cleaning of ramps and side slope mowing during freeway road closures.

Beautification efforts are further strengthened through the Neighborhood Entranceway Marker Program administered through the City's Neighborhood and Information Center, a division of the Community

City of Southfield

Letter of Transmittal

Relations Department. In 2006, 16 entranceway projects were funded to improve neighborhood entranceway signs and landscaping based on a dollar-to-dollar match. Additionally, 47 individual homeowners, neighborhood and condo associations, and public buildings were recognized for outstanding overall appearance and landscaping through the City's annual Community Pride Awards program. The new Southfield Parks & Garden Club, a grassroots effort led by volunteers, assisted with the judging in addition to working on several other beautification projects throughout the City. Additionally, the City sponsored the 5th annual Southfield Flower Day in May of 2007 to promote beautification efforts by providing residents the opportunity to shop for plants and flowers from several local vendors in one convenient location.

The Southfield city government continues to meet the ever-changing needs of the community. City leaders remain committed to delivering quality city services in a cost-effective manner with a continuous focus on taxpayer concerns. To this end, the Southfield Council approved the new Strategic Plan 2005-2010, a five-year plan designed to preserve and ensure the City's financial strength for the long haul. As part of the plan, the City adopted a two-tier compensation program for newly-hired employees that will position the City for future personnel cost savings. The Fire Department began providing emergency medical transport during the last quarter of 2004-05 as a new service to the community and an additional revenue source. In fiscal year 2006-07, the Fire Department generated over \$1.7 million in new revenues from emergency transport runs.

Southfield continues to adhere to the highest standards of service to the community, including strong emphasis on fiscal responsibility. The City has continued to maintain its AA+ bond rating, placing Southfield in the top 3.5 percent of the more than 450 public agencies within the State of Michigan currently rated by Standard & Poors. The City of Southfield is also a multiple-year recipient of the Government Finance Officers Award for Excellence in Financial Reporting.

Southfield remains safe and secure as a result of the dedicated, highly-trained and well equipped members of our award-winning "9-1-1" police, fire and emergency management departments. The police department continues to be a trend setter by developing effective community policing programs designed to augment traditional police activities. The department launched the 'Operation GOT M' program in conjunction with homeowner's associations to better address community nuisance complaints. The fire department's Life Support Unit (LSU), the City's emergency medical service, typically offers a response time of four minutes or less. The City of Southfield became Michigan's first "heart safe" city by installing heart defibrillators in all municipal buildings as well as major office buildings and entertainment venues throughout the community.

The City of Southfield is one of only 20 communities in the State of Michigan that provides residents with a designated Emergency Management Division. The division is concerned with planning and preparing the community for potential disasters before they occur and coordinating efforts during actual disasters. Since 2002, the Emergency Management division has applied for and secured over \$800,000 in federal grants to better prepare and safe-guard Southfield. Since 2004, the division has trained over 1,600 persons in disaster preparedness using Homeland Security funding. The City also has its first dedicated Emergency Management Operations Command Center complete with "back-up" generator power in case of a natural or man-made emergency. Additionally, the division started a Southfield Amateur Radio Service (SARS) to be used for emergency communications should conventional channels fail. In keeping with the City's commitment to public safety and security, \$38.5 million, or 56 percent of the 2006-07 fiscal year general fund budget, was earmarked for public safety activities.

City of Southfield

Letter of Transmittal

The City's Department of Parks and Recreation offers more than 1,000 high-quality programs and services to both residents and business people of all ages and interests. The City of Southfield continues to be the home of the V98.7 Smooth JazzFest on the front lawn of the municipal complex. Each year, the event continues to grow, drawing national acts and thousands of visitors from across the metro area. The Parks and Recreation department continues to offer exciting new programs and community partnerships, such as the 100 Days to Health campaign and the American Heart Association Heart Walk. The 100 Days to Health campaign is a partnership with Providence Hospital geared to promote healthy living and lifestyles through health education classes, programs and activities. Youth programs were also expanded to include programs for individuals with disabilities, specifically the Michigan Thunderbird wheelchair basketball program and the Mighty Oaks sports program.

The Miracle League of Michigan continues to operate the first Miracle League baseball field in the State of Michigan on the grounds of the Southfield Municipal Complex. The league is a non-profit organization determined to give every child with mental and physical disabilities the chance to play baseball. Many sponsors helped to offset the estimated \$535,000 in construction costs. The Miracle League gives every child the chance to be part of a team and enjoy the all-American game of baseball. The custom-designed venue incorporates a cushioned synthetic turf that accommodates wheelchairs and other walking devices while helping to prevent injuries. During each Miracle League game, every child is given an opportunity to hit the ball and score a run. The field is the first of its kind in the area and it serves children throughout the entire State of Michigan.

The Southfield Public Library continues to exceed all expectations, with top-notch amenities and ample public meeting spaces – the Library is truly a gem in Southfield's crown. The Southfield Public Library is a state-of-the-art facility that averages over 2,700 visitors every day. Its many amenities include an expanded 180,000 book collection; two computer labs; sophisticated computer network with hundreds of data drops; numerous meeting rooms; two auditoriums; 16 group study rooms; three outdoor terraces; fireplaces on each level; the Bookends Café; and stunning architectural and interior design. The Library has received numerous regional and national awards for its innovative architecture, programs and services. The Southfield Public Library offers over 20 computer classes every month, ranging from Computer Fundamentals to Microsoft Word II for people at all levels of computer literacy. As more residents visit the library, so to has participation in library programs. The library's annual Battle of the Books program continues to be very popular, with over 800 students participating in 2007. Several other library programs such as the Jazz and Blues series, the Southfield Books & Beyond Festival, the Family Dinner Theaters, and the Local Author Book Fairs continue to be very successful.

The City continues to keep the community apprised of the latest news and information through a variety of award-winning communication vehicles, including a comprehensive new Web site, city cable channel, and detailed publications and newsletters. The City of Southfield received first place in the Michigan Economic Developers Association's (MEDA) 1st annual MEDA Marketing Materials Competition in the print marketing materials category for communities with populations below 100,000. The award was presented for the City's print marketing materials at MEDA's Annual Conference in August of 2006. Submissions were evaluated by a panel of independent representatives from professional marketing firms based on creativity, content and branding.

The City launched a new and improved municipal Web site in May of 2007 to provide the community with a more interactive and streamlined source of City news and information. The new Southfield Web site is more user-friendly, offering improved navigation and detailed information in a quick and convenient format. The sleek new site also features an entirely new design with extensive photos and videos showcasing Southfield. Additionally, the new Web site features more online services and downloadable City forms, applications and documents as well as Really Simple Syndication (RSS). The new Web site

City of Southfield

Letter of Transmittal

also features Web casting capabilities -- allowing users across the world with the opportunity to watch city council meetings live online.

Southfield remains a model of multiculturalism. As home to large concentrations of Chaldean (Catholic Iraqi), African-American, Jewish, Armenian, Russian Orthodox and Korean residents, Southfield is truly one of the most diverse communities in Michigan. Its large international business population, including significant numbers of Asian, Middle Eastern, African and European businesses, helps position it as a cosmopolitan center. Japanese businesses are prominent in the community, over 50 in total, including the North American headquarters of Denso International, Toyota Industries, Panasonic Automotive Electronics, Mitsubishi International and Mitsui & Co., among others. Southfield is also the corporate home of Wagon Engineering, an English-based division of Wagon Automotive; as well as Autoliv Electronics America, a Swedish corporation; and ThyssenKrupp, a German steel conglomerate.

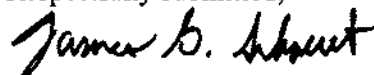
Southfield's many diverse cultures are supported by educational institutions, chambers of commerce, foreign trade offices and others, including Language Center International, American Academy of International Education, Dr. Martin Luther King, Jr. Task Force Committee, Focus on American and Arab Interests & Relations, French American Chamber of Commerce, Michigan Hispanic Chamber of Commerce, Philippine American Community, Korea Trade Center, Japan Business Society of Detroit and Trade Commission of Mexico. Southfield's elected leadership is equally diverse and helps assure Southfield remains a nationally-recognized multicultural model.

An international city bustling with people from a rich array of cultural, ethnic and religious backgrounds, Southfield's most recognizable landmarks include the gold-domed St. John's Armenian Church and the striking Congregation Shaarey Zedek, among the most beautiful examples of religious architecture in Michigan. The distinctive gold and black towers of the Southfield Town Center, Southfield's signature landmark, are home to many of the international firms in the community. Dining out also offers a reminder of Southfield's position as a global city, with restaurateurs from around the world offering the best in Asian, Italian, African-American, Middle Eastern, Jewish and continental cuisine. Experiencing this multicultural environment makes youth and adults alike more at ease in the global village of the 21st Century, knowledgeable about cultures, customs and traditions worldwide, while promoting harmony and understanding among people of all backgrounds and heritages.

Southfield's modern infrastructure, diverse mix of residential and business cultures, emphasis on beautification and roadside appearance, and premier City services have created a statewide model of a successful community environment, helping provide a solid foundation for the City's continued growth and prosperity. The information and analysis presented in the following pages reflect the City's commitment to high standards of financial reporting and to Southfield's future vitality.

Appreciation is extended to the elected officials, department heads and other employees responsible for contributing to the City's sound financial position. Southfield is blessed with individuals who appreciate and respect principles of fiscal restraint and propriety, enabling the City to successfully address economic challenges. In particular, we acknowledge the special efforts of the fiscal services employees who contributed to the development of this report. The continuing support of Southfield's elected officials, who remain committed to fiscal integrity and financial leadership, is particularly appreciated.

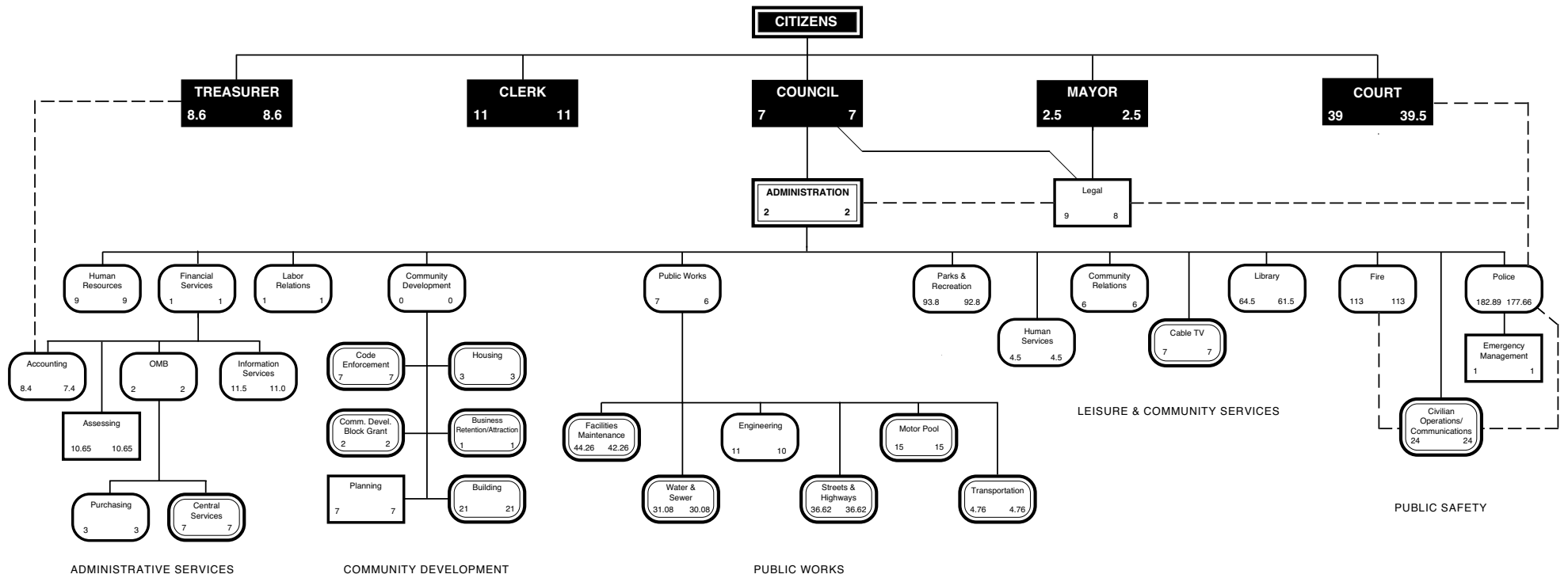
Respectfully submitted,



James G. Scharret
City Administrator

(This page left intentionally blank.)

Organizational Chart



Number to left of department gives 2005-06 authorized personnel;
number to right gives 2006-07 authorized complement.

Approved Total 2005-06: 820.06
Approved Total 2006-07: 803.83

KEY TO SYMBOLS

- Elected officials
- Appointed by Council
- Head appointed by Mayor with confirmation by Council
- Head appointed by Administrative Civil Service Commission
- Head appointed by Administrator with confirmation by Council
- Line of command and/or policy coordination
- - - Related function, or serves in conjunction with

CITY OF SOUTHFIELD, MICHIGAN

June 30, 2007

-MAYOR-

Brenda L. Lawrence

-CITY COUNCIL-

Sylvia Jordan, President

Joan Seymour, President Pro Tem

Donald F. Fracassi

Myron A. Frasier

Sidney Lantz

William Lattimore

Kenson J. Siver

-CITY CLERK-

Nancy L. M. Banks

-CITY TREASURER-

Irv M. Lowenberg

-ACTING CITY ADMINISTRATOR-

James G. Scharret

(This page left intentionally blank.)

Independent Auditor's Report

To the Honorable Mayor and Members of the City Council
City of Southfield, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Southfield, Michigan as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Southfield, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Southfield, Michigan as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Southfield, Michigan's basic financial statements. The management's discussion and analysis, retirement system schedules of funding progress, and the budgetary comparison schedules, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. The budgetary comparison schedules and the combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have applied certain limited procedures to the management's discussion and analysis and the retirement system schedules of funding progress, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them. The City has not adopted the provisions of GASB Statement 44, *Economic Condition Reporting: The Statistical Section*, which would have revised the content and format of various schedules in the statistical section.

To the Honorable Mayor and Members of the City Council
City of Southfield, Michigan

In accordance with *Governmental Auditing Standards*, we have also issued our report dated October 15, 2008 on our consideration of the City of Southfield, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Plante & Moran, PLLC

October 20, 2008

City of Southfield

Management's Discussion and Analysis

The following is a discussion and analysis of the City of Southfield's (the City's) financial performance, providing an overview of the activities for the fiscal year ending June 30, 2007. This analysis should be read in conjunction with the transmittal letter, beginning on page 1 of this report, and with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-Wide:

- Net assets (excluding component units) increased by \$10.0 million, or 4.8%, from \$210.3 million (after being increased by \$48.8 million for prior period adjustments) to \$220.3 million.
- Governmental activities net assets increased by \$5.3 million to \$166.3 million.
- Business-type activities net assets increased by \$4.7 million to \$54.0 million.

Fund Level:

- At the close of the fiscal year, the City's governmental funds reported combined ending fund balance of \$41.8 million, with \$19.1 million being reserved, designated, or otherwise earmarked for specific purposes.
- The fiscal year 2007 governmental funds combined ending fund balance reflects an increase of \$1.3 million from the prior fiscal year.
- This combined increase is comprised of an increase in the General Fund ending balance of \$.7 million, a decrease of \$.4 million from the Capital Improvement fund and an increase in the non-major governmental funds of approximately \$1.0 million.
- The increase in the General Fund balance was primarily due to investment earnings greater than anticipated and the City's commitment to reducing operating expenditures through attrition and several hiring limitations. Within the Non-Major Funds, the Special Revenue and Debt Service funds showed operating efficiencies of \$3.0 million and \$.6 million, respectively. The Major Street fund balance increased \$.9 million as they spend the MTF bond proceeds. Parks and Recreation and Library fund balances increased \$.7 million and \$.5 million respectively, primarily due to investment earnings greater than anticipated and their commitment to reducing operating expenditures through attrition and severe limitations on hiring. The Non-major Capital Project Funds showed an overall decrease of approximately \$2.6 million. This decrease was mainly due to the transfer of the bond proceeds of approximately \$2.2 million to the Major Streets Funds for ongoing road projects and other capital projects of approximately \$1.2 million during the year.

Capital and Long-term Debt Activities:

- The City is \$384.6 million below its authorized debt limit.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report of the City consists of the following components: 1) An Introductory Section which includes the Transmittal Letter; 2) A Financial Section which includes the Auditor's Report, the Management Discussion and Analysis, the Basic Financial Statements (government-wide financial statements, fund financial statements, notes to the financial statements), Required Supplementary Information such as a budget to actual comparison for the General Fund, additional Non-Required Information including combining financial statements for all non-major governmental funds and proprietary funds; and 3) A Statistical Section.

Government-wide Financial Statements

The set of basic financial statements includes the Statement of Net Assets and the Statement of Activities, which report information about the City as a whole, and about its activities. These statements help the reader to

City of Southfield

Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS

determine if the City of Southfield, in its entirety, is better or worse off as a result of this fiscal year's activities. These statements, which include all non-fiduciary assets and liabilities, are reported on the accrual basis of accounting, similar to a private business. This means revenues are accounted for when they are earned and expenses are accounted for when an obligation is incurred; regardless of when the actual cash is received or disbursed.

The Statement of Net Assets presents the City's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the City's financial position is improving or declining.

The Statement of Activities presents information showing the City's net assets change during fiscal year 2007. All changes in net assets are reported based on the period during which the underlying events giving rise to the change occurred, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

Governmental Activities - Taxes, charges for services, and intergovernmental revenue primarily fund these services. Most of the City's departments and operations are reported under these activities.

Business-type Activities - These activities operate like private-sector businesses. The City's Water and Sewer Fund charges fees to recover the cost of the services provided.

Discretely Presented Component Units - Component units are legally separate organizations for which the City Council appoints a majority of the organization's policy board and there is a degree of financial accountability to the City. Seven discretely presented component units are included: the Local Development Finance Authority, the Tax Increment Finance Authority, the Economic Development Corporation, the Downtown Development Authority, the Brownfield Re-Development Authority, Joint Local Development Finance Authority and the Southfield Non Profit Housing Corporation.

As stated previously, the government-wide statements report on an accrual basis of accounting. However, the governmental funds report on a modified accrual basis. Under modified accrual accounting, revenues are recognized when they are available to pay obligations of the fiscal period, expenditures are recognized when they are due.

Because of the different basis of accounting between the Fund Statements (described below) and the government-wide statements the City presents reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

Capital assets used in government activities and depreciation expense are not reported on the government fund financial statements, however depreciation expense is reported on the government-wide statements. Capital outlay spending results as capital assets on the government-wide statements and are reported as expenditures on the government fund financial statements.

Internal service funds are reported as governmental activities on the government-wide statements, but are reported as proprietary funds on the fund financial statements.

City of Southfield

Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Long-term contingencies, such as reserves for sick and annual leave (compensated absences, etc.), appear as liabilities on the government-wide statements; however they will not appear on the fund statements unless current resources are used to pay a specific obligation. Bond and loan proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund financial statements.

In addition, it should be noted that the government-wide financial statements include the net value of the City's assets such as land, buildings and furniture and fixtures. These values are not included in the fund financial statements.

Fund Financial Statements

The fund financial statements provide information on the City's significant funds - as a whole. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

A fund is a fiscal and accounting entity with a self-balancing set of accounts that is used to keep track of specific sources of funding and spending for a particular purpose. Funds are also utilized to track specific operations; these include the internal services funds (e.g., Motor Pool, Equipment Revolving, etc.) as well as the Water and Sewer enterprise fund.

The basic financial statements only report major funds separately as defined by the Government Accounting Standards Board (GASB). All other funds are classified as non-major funds. Detailed information on non-major funds can be found in other sections of this report.

The City's funds are divided into three categories - governmental, proprietary, and fiduciary - and use different accounting approaches:

Governmental Funds – Basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year, and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance programs. These funds are reported using the modified accrual basis of accounting as described above. Because this basis of accounting differs from the government-wide statements, additional information is provided reconciling the government fund statements to the government-wide statements. Governmental funds include the General Fund, as well as Special Revenue Funds, Capital Projects Funds and Debt Service Funds.

Proprietary Funds – Funds with a focus on operating income and cost recovery are reported in proprietary funds. Proprietary funds use the accrual basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. Enterprise funds report activities that provide supplies and services to the general public. The Water and Sewer Fund is the City's only enterprise fund. Internal Service funds report activities that provide supplies and services to the City's other operations. Internal Service funds, such as the Motor Pool fund, are reported as governmental activities on the government-wide statements.

Fiduciary Funds – The City acts as a trustee or fiduciary for its employee pension plans. It is also responsible for other assets that, because of trust arrangements, can only be used for the trust beneficiaries. The City's fiduciary activities are reported in separate statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. These funds, which include Pension, Retiree Health Care Benefits Plan and Trust and Agency, are reported using the accrual basis of accounting. The government-wide statements exclude the fiduciary fund activities and balances because these assets are not available to fund current operations.

City of Southfield

Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Notes to the Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements.

Required Supplementary Information

Following the basic financial statements is additional Required Supplementary Information (RSI) which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedule for the General Fund and the major governmental funds as well as pension trend data.

Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental, proprietary, and fiduciary funds. These funds are added together, by fund type, and are presented in single columns in the basic financial statements, but are not reported individually, as are the major funds, on the government-wide statements.

FINANCIAL ANALYSIS

As previously stated the City's combined net assets increased by \$10.0 million over the course of this fiscal year's operations. The net assets of the governmental activities increased in the amount of \$5.3 million; the net assets of the business type activities increased by \$4.7 million.

The following is a condensed Statement of Net Assets for the period ending June 30, 2007:

Net Assets						
June 30, 2007						
(in millions of dollars)						
	Governmental Activities		Business Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
ASSETS						
Current and other assets	\$ 86.0	\$ 81.6	\$ 17.1	\$ 13.0	\$ 103.1	\$ 94.6
Capital assets	150.6	95.9	73.4	74.4	224.0	170.3
Other long term assets	8.3	11.9			8.3	11.9
Total assets	<u>244.9</u>	<u>189.4</u>	<u>90.5</u>	<u>87.4</u>	<u>335.4</u>	<u>276.8</u>
LIABILITIES						
Current liabilities	8.7	8.3	4.2	3.3	12.9	11.6
Other liabilities	69.9	68.9	32.3	34.8	102.2	103.7
Total liabilities	<u>78.6</u>	<u>77.2</u>	<u>36.5</u>	<u>38.1</u>	<u>115.1</u>	<u>115.3</u>
NET ASSETS *						
Invested in capital assets net						
of related debt	96.6	44.0	41.4	39.8	138.0	83.8
Restricted	6.7	22.0			6.7	22.0
Unrestricted	63.0	46.2	12.6	9.5	75.6	55.7
Total Net Assets	<u>\$ 166.3</u>	<u>\$ 112.2</u>	<u>\$ 54.0</u>	<u>\$ 49.3</u>	<u>\$ 220.3</u>	<u>\$ 161.5</u>

* Ending Net Assets balance for 2006 must be restated by \$48.8 million for prior period adjustments.

City of Southfield

Management's Discussion and Analysis

FINANCIAL ANALYSIS (continued)

The following is a condensed representation of financial information using the government-wide Statement of Activities and reflects the changes in the City's net assets during the fiscal year:

Changes in Net Assets
for the fiscal year ending June 30, 2007
(in millions of dollars)

	Governmental Activities		Business Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
REVENUES						
Program revenues						
Charges for services	\$ 17.7	\$ 17.4	\$ 31.7	\$ 30.8	\$ 49.4	\$ 48.2
Grants and contributions	12.2	11.4			12.2	11.4
General revenues						
Property taxes	59.9	57.4			59.9	57.4
Unrestricted state shared	5.7	7.5			5.7	7.5
Investment earnings	3.7	2.1	0.4	0.1	4.1	2.2
Other	2.4	1.5	0.3		2.7	1.5
Total revenues	101.6	97.3	32.4	30.9	134.0	128.2
EXPENDITURES						
General government	18.6	19.5			18.6	19.5
Public safety	44.5	43.9			44.5	43.9
Highway and streets	9.0	6.6			9.0	6.6
Public services	1.8	1.3			1.8	1.3
Sanitation	3.1	3.0			3.1	3.0
Community improvement	1.0	0.7			1.0	0.7
Social services	3.9	3.2			3.9	3.2
Culture and recreation	12.3	15.6			12.3	15.6
Water and sewer			27.4	26.2	27.4	26.2
Interest on long term debt	2.4	2.7			2.4	2.7
Total expenditures	96.6	96.5	27.4	26.2	124.0	122.7
Excess (deficiency) before transfers	5.0	0.8	5.0	4.7	10.0	5.5
Transfers in	0.3	1.0			0.3	1.0
Transfers out			(0.3)	(1.0)	(0.3)	(1.0)
Increase (decrease) in net assets	5.3	1.8	4.7	3.7	10.0	5.5
Beginning net assets	112.2	116.8	49.3	54.7	161.5	171.5
Prior period adjustment	48.8	(6.4)		(9.1)	48.8	(15.5)
Ending net assets	\$ 166.3	\$ 112.2	\$ 54.0	\$ 49.3	\$ 220.3	\$ 161.5

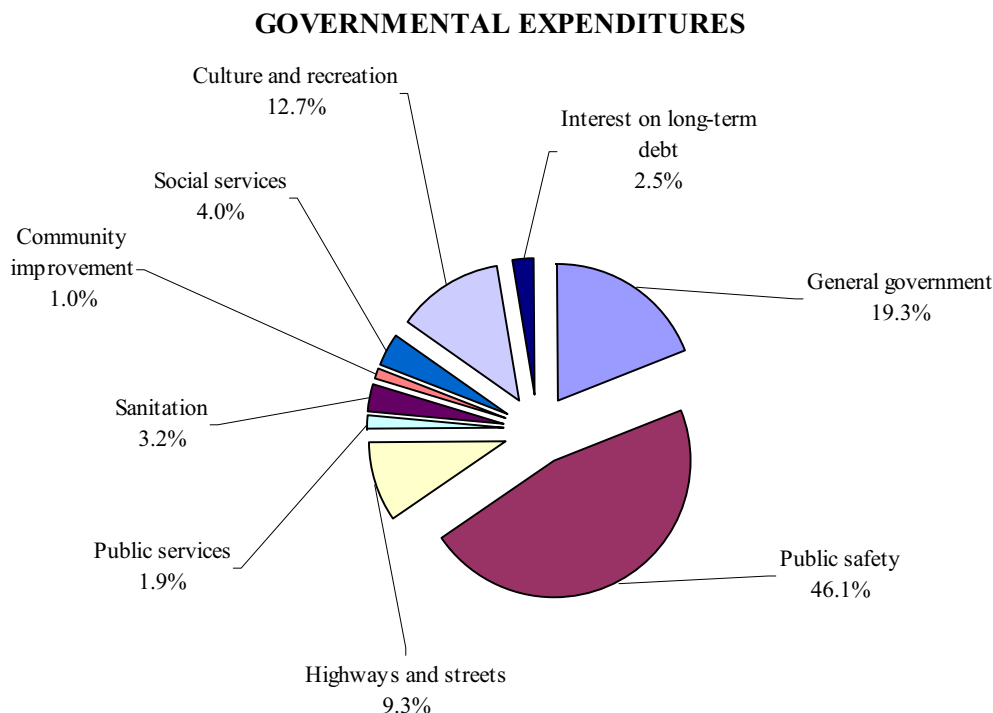
City of Southfield

Management's Discussion and Analysis

FINANCIAL ANALYSIS (continued)

The result of 2007 fiscal year's governmental activity was an increase of \$5.3 million and an ending net assets balance of \$166.3 million. Of this total, \$96.6 million is invested in capital assets less related debt, \$17.1 million is reported as restricted, meaning these assets are legally committed for a specific purpose through statute or by another authority outside the government. The balance of \$52.5 million is listed as unrestricted, having no legal commitment. However, it should be noted that of the total unrestricted amount, \$9.0 million is reserved, designated, or otherwise earmarked in the General Fund for specific purposes. Refer to Note 4 A, for a complete list of designations.

The following chart depicts expenditures of the governmental activities for the fiscal year:



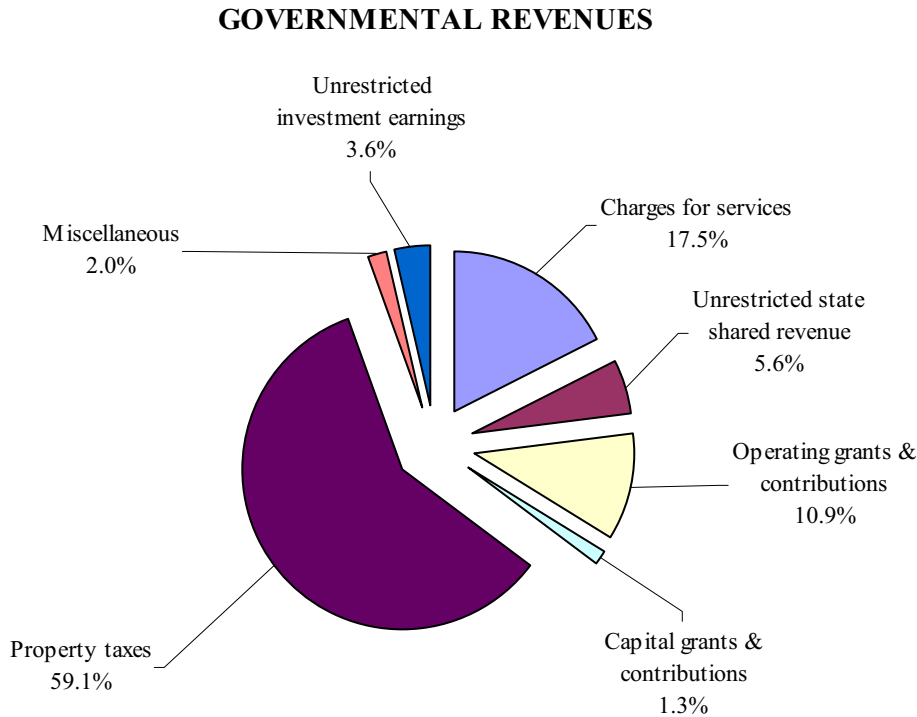
Governmental activity expenses for the fiscal year increased by \$.1 million. Public Safety is the largest governmental activity, expending \$44.5 million of the governmental activities total expenses of \$96.6 million. It comprises 46.1% of total governmental expenses. This activity increased by \$.6 million. General government is the second largest governmental activity with a total expenditure of \$18.6 million, expending 19.3% of total governmental expenses. This activity decreased by \$.9 million. Cultural and recreation is the third largest governmental activity with a total expense of \$12.3 million, expending 12.7% of total governmental expenses. This activity decreased by \$3.3 million. These three categories expend over 78.1% of total governmental activity expenses.

City of Southfield

Management's Discussion and Analysis

FINANCIAL ANALYSIS

The following chart depicts revenues of the governmental activities for the fiscal year:



In total, revenue collections increased in fiscal year 2007 by \$4.3 million. This increase is derived from increases in taxes, charges for services, operating grants and contributions and unrestricted investment earnings with a decrease in state shared revenues. Property tax revenue is the largest source of support for the governmental activities; however, it is not assigned to any particular function. The City's operating millage rate is 16.3428 mills. Property tax revenue generated \$59.9 million in 2007. It represented 59.0% of all available sources of revenue. The 4.4% increase over 2006 is explained by a 3.5% increase in taxable assessed values allowed by Proposal A. Charges for services are the second largest source of governmental activity revenue. It represented 17.4% of all available sources of revenue. This source increased by \$.3 million, 1.7% greater than 2006. Grants and contributions and unrestricted state shared revenues, which are constitutionally and statutorily provided by the State of Michigan, are the other large sources of governmental activity revenue.

They represented 12.0% and 5.6%, respectively, of all available sources of revenue experiencing a 5.3% decrease over 2006. Over 94.0% of the governmental activities are supported by these four revenue sources.

Business-type Activities:

The net assets of Business-type activities increased by \$4.7 million during fiscal year 2007. Overall charges for services increased from 2006 by 2.9%. This increase is reflected in charges for services in the amount of \$.9 million. The City of Southfield increased rates in the original budget in order to keep pace with increasing water charges. Operating expenses increased by 4.6%. This increase is attributed to the cost of transmission and distribution, service installation and meter repairs. Of the total \$54.0 million of net assets in the business type activities, \$12.6 million is reported as unrestricted.

City of Southfield

Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

General Fund

The General Fund is the central operating fund of the City of Southfield. Unless otherwise required by statute, contractual agreement or policy, all revenues and expenditures are recorded in the General Fund. As of June 30, 2007, the General Fund reported a fund balance of \$15.0 million. This amount is an increase of \$.7 million from the prior June 30. Of the total fund balance, \$9.0 million is reserved, designated or earmarked for specific purposes. These designations include \$.9 million for subsequent year's expenditure, \$1.2 million for economic development, \$2.9 million for equalization, \$.5 million for budget stabilization and \$1.3 million for capital projects.

General Fund Budgetary Highlights:

The City of Southfield's budget is a dynamic document. Although adopted in June (prior to the start of the fiscal year), the budget is amended during the course of the fiscal year to reflect changing operational demands.

The General Fund revenue budget was not increased during fiscal year 2007, with both an original and final budgeted amount of \$64.5 million. General Fund revenue totaled \$63.8 million, \$.7 million below the final budget. While state shared revenues were down due to timing of payments and their recognition, excess investment earnings made up for some of that revenue shortfall.

The City's expenditure budget was increased marginally during fiscal year 2007 from \$65.3 million to a final budget of \$66.0 million. Actual expenditures for fiscal year 2007 were \$62.6 million which was \$3.4 million below budget. This total is comprised mostly by savings from a cost reduction program including hiring restrictions and aggressive monitoring of overtime usage.

In summary, the fiscal year 2007 Final Amended Budget anticipated using \$2.0 million of prior year's fund balance. The fund balance, net of transfers, increased by \$.7 million.

Capital projects Fund

The Capital Improvement Fund is a major fund due to several large capital projects supported by internal transfers or loans. Carpenter Lake on the City's west side was dredged and had a dam repaired as part of Phase I of its total restoration. While matching grants are being sought after, the City is financing the project through loans from the Local Improvement Revolving Fund (LIRF). \$1.2 million was spent in the current fiscal year for this project. The City migrated from a non-integrated mainframe computer system to a comprehensive integrated financial system. Hardware and software expenses were \$.5 million and were funded by payments from all the operating funds. The City also replaced the plaza deck connecting three buildings on the campus which cost \$2.1 million funded by a LIRF transfer.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – At the end of Fiscal Year 2007, the City of Southfield had invested \$224.0 million, net of accumulated depreciation, in a broad range of capital assets. With the Carpenter Lake project and Plaza Deck reconstruction which totaled \$3.3 million making up the majority of the \$2.7 million increase net of depreciation. Refer to Note 3 C for additional capital asset information.

Long Term Debt – At the end of 2007, the City of Southfield had \$86.6 million in bonds outstanding. The amount of bonds with limited taxing authority in 2007 is \$33.7 million. A more detailed depiction of the City's long-term debt obligations is presented in Note 3 D to the financial statements.

Bond Ratings – The City's unlimited and limited tax general obligation bond rating from Standard and Poor's is AA+. Moody's Investors Services rating for the City's unlimited tax general obligation bonds is Aa2, and its limited tax general obligation bond rating is Aa3.

City of Southfield

Management's Discussion and Analysis

ECONOMIC OUTLOOK

Municipalities throughout the State of Michigan will face tough economic challenges over the next three-to-five year horizon. Fortunately, the City of Southfield has a financial plan that will enable the City to successfully address these significant challenges. We are on target to the goals and objectives of that plan.

Within the 2005-06 budget process, City Council adopted a 5-Year Fund Balance Stabilization Plan that is designed to end the City's reliance on the use of fund balance to support General Fund operations in 5-years or less. At the end of that period, fund balance levels are anticipated to stabilize at a healthy level of at least 12% of expenditures. In each succeeding year under the plan, the use of fund balance will be reduced by about 40%, reaching the point where in the fiscal year 2009-10 no fund balance will be utilized for operations, and the fund balance will have stabilized at an acceptable level. The result of General Fund operations for fiscal year 2006-07 indicates that we are on target to the objectives of the 5-Year Fund Balance Stabilization Plan in that the City's use of fund balance to support General Fund operations in 2006-07 was zero. In fact, actual General Fund revenues exceeded expenditures, resulting in a net increase of \$705,675 due primarily to investment income in excess of projections and vacancy savings above estimates. As we look ahead to fiscal year 2007-08, there is every indication that we will meet or exceed budgetary targets. The adopted 2007-08 City budget is also within the limitations of the 5-Year Fund Balance Stabilization Plan.

Among the challenges facing the City of Southfield over the next three-to-five year horizon are:

- **Tax Revenue Limitations:** The City is fully utilizing all available tax resources within the City Council's usual annual stated goal of no increase in the total millage rate. This results in typical General fund growth of 1.5% to 4%, a figure which is often below the rate of growth in the Municipal Cost Index (the CPI for municipal operations).
- **Flat or Declining State Shared Revenues:** This the second largest single source of General Fund revenues after the property tax. The 2005-06 adopted budget reflects a 3.5% decline, or \$263,006, in these revenues from the previous year's levels. The 2006-07 adopted budget for State Shared Revenues was flat to 2005-06 levels. Preliminary estimates for 2007-08 have these revenues down \$680,000 or 9%.
- **Stagnant Statewide Economic Conditions:** Much has been written about the extent of the economic woes in the Michigan: high unemployment, state government shortfalls, housing pressures, etc., all reflecting the region's traditional overdependence on the domestic auto industry. A difficult and substantial restructuring of the state economy will be required to successfully deal with these challenges.

Here is how the City of Southfield is addressing these challenges:

- Council adoption of the 5-Year Fund Balance Stabilization Plan in 2005-06 was a significant commitment.
- Audited results for 2006-07 show that we are in compliance to the Plan.
- Investment in technology and training for improved financial reporting and budget monitoring. The City's new financial system was fully amortized in 2005-06 paving the way for solid reporting performance for years to come.
- Personnel reductions (40 internal support positions or 10%) without reducing on-the-street services such as Police, Fire, and Roads. Further reductions planned.
- Exhaustive program review and work flow analysis to get the essential work done with fewer personnel.
- Strict adherence to fiscal policy: one-time monies for one-time purposes (i.e. capital projects) only.
- Constrained labor agreements and wage/salary structures.

City of Southfield

Management's Discussion and Analysis

ECONOMIC OUTLOOK (continued)

It is fully anticipated that these measures will enable the City of Southfield to prosper despite the economic challenges of the day.

CONTACTING THE CITY'S FISCAL SERVICES

This financial report is designed to provide our residential and corporate taxpayers, investors, creditors, and any other interested parties with a general overview of the City's accountability for the financial resources under its purview and to demonstrate the City's commitment to proper standards of financial reporting. If there are questions about this report, or further information is needed, please contact James B. Pierce, City Controller, at (248) 796-5212.

City of Southfield
Government-Wide Statement of Net Assets
June 30, 2007

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Governmental Component Units	Proprietary Nonprofit Housing Corporation *
ASSETS					
Cash and cash equivalents	\$ 14,301,514	\$ 689,579	\$ 14,991,093	\$ 4,706,118	\$ 7,325,191
Investments	53,571,014	3,345,470	56,916,484	6,261,854	
Receivables, net (Note 3B)	13,970,517	13,042,154	27,012,671	1,083,040	48,431
Prepays	1,629,060	9,798	1,638,858	1,543	200,439
Internal balances (Note 3F)	448,475	(448,475)			
Due from primary government				82,224	
Due from component units	831,425		831,425	16,042	
Due from other governmental units	788,341		788,341		
Inventories	556,920	440,505	997,425		
Long-term advances	5,064,563		5,064,563		
Leased equipment				5,778	
Restricted assets: (Note 3A)					
Cash and cash equivalents	3,225,853		3,225,853		
Capital assets: (Note 3C)					
Non-depreciable	11,607,973		11,607,973	350,000	2,652,409
Depreciable-net	138,877,026	73,411,470	212,288,496		8,264,114
Total assets	<u>244,872,681</u>	<u>90,490,501</u>	<u>335,363,182</u>	<u>12,506,599</u>	<u>18,490,584</u>
LIABILITIES					
Accounts payable and other current liabilities	4,036,994	3,981,280	8,018,274	22,142	497,856
Interest payable	494,590	206,410	701,000		48,578
Insurance payable	784,520		784,520		
Workers' compensation payable	1,130,315		1,130,315		
Due to component units	82,224		82,224	16,042	
Due to primary government				831,426	
Due to other governmental units				781,795	
Unearned revenue (Note 3B)	1,925,008		1,925,008	73,957	
Noncurrent liabilities: (Note 3D)					
Due within one year	2,108,020	2,796,089	4,904,109	55,560	537,383
Due in more than one year	68,043,695	29,484,770	97,528,465	5,354,411	11,141,601
Total liabilities	<u>78,605,366</u>	<u>36,468,549</u>	<u>115,073,915</u>	<u>7,135,333</u>	<u>12,225,418</u>
NET ASSETS (DEFICIT)					
Invested in capital assets, net of related debt	96,622,538	41,433,296	138,055,834	350,000	(762,461)
Restricted					
Right-of-way funds/Metro Authority	420,021		420,021		
Specific programs	1,589,329		1,589,329		
Highways and streets	9,056,393		9,056,393		
Culture and recreation	478,194		478,194		
Social services	2,033		2,033		
Grants	715,733		715,733		
Public safety	899,329		899,329		
Debt service	2,853,674		2,853,674		
Premiums	1,108,958		1,108,958		
Unrestricted	52,521,113	12,588,656	65,109,769	5,021,266	7,027,627
Total net assets	<u>\$ 166,267,315</u>	<u>\$ 54,021,952</u>	<u>\$ 220,289,267</u>	<u>\$ 5,371,266</u>	<u>\$ 6,265,166</u>

The notes to the financial statements are an integral part of this statement.

* Audited as of 12/31/06

City of Southfield
Government-wide Statement of Activities
For the Year Ended June 30, 2007

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	Governmental Component Units	Proprietary Nonprofit Housing Corporation *
Primary government:									
Governmental activities:									
General government	\$ 18,524,088	\$ 1,263,737			\$ (17,260,351)		\$ (17,260,351)		
Public safety	44,430,868	8,100,022	\$ 1,142,273		(35,188,573)		(35,188,573)		
Highways and streets	8,917,020		5,166,181	\$ 324,335	(3,426,504)		(3,426,504)		
Public services	1,767,535	780,328		928,558	(58,649)		(58,649)		
Sanitation	3,135,037	3,288,850			153,813		153,813		
Community improvement	983,371	391,333			(592,038)		(592,038)		
Social services	3,928,231		4,456,631		528,400		528,400		
Culture and recreation	12,270,136	3,893,893	253,491		(8,122,752)		(8,122,752)		
Interest on long-term debt	2,442,534				(2,442,534)		(2,442,534)		
Total governmental activities	<u>96,398,820</u>	<u>17,718,163</u>	<u>11,018,576</u>	<u>1,252,893</u>	<u>(66,409,188)</u>		<u>(66,409,188)</u>		
Business-type activities:									
Water and Sewer	<u>27,337,692</u>	<u>31,726,037</u>				\$ 4,388,345	<u>4,388,345</u>		
Total primary government	<u>\$ 123,736,512</u>	<u>\$ 49,444,200</u>	<u>\$ 11,018,576</u>	<u>\$ 1,252,893</u>			<u>(62,020,843)</u>		
Component units activities:									
Governmental	<u>\$ 2,094,392</u>	<u>\$ 233,833</u>	<u>\$ 692,980</u>	<u>\$ -</u>				\$ (1,167,579)	
Proprietary activities:	<u>\$ 3,720,994</u>	<u>\$ 3,483,041</u>	<u>\$ 24,435</u>	<u>\$ -</u>					\$ (213,518)
General revenues:									
Property taxes					59,906,757		59,906,757	4,499,399	
Unrestricted state shared revenues					5,659,838		5,659,838		
Unrestricted investment earnings					3,718,849	413,912	4,132,761	739,995	640,134
Miscellaneous					2,072,421	261,713	2,334,134	15,623	58,695
Transfers (Note 3F)					337,882	(337,882)	-		
Total general revenues and transfers					<u>71,695,747</u>	<u>337,743</u>	<u>72,033,490</u>	<u>5,255,017</u>	<u>698,829</u>
Change in net assets					5,286,559	4,726,088	10,012,647	4,087,438	485,311
Net assets - beginning					112,169,290	49,295,864	161,465,154	1,283,828	5,779,855
Prior period adjustment (Note 4G)					48,811,466		48,811,466		
Net assets - ending					<u>\$ 166,267,315</u>	<u>\$ 54,021,952</u>	<u>\$ 220,289,267</u>	<u>\$ 5,371,266</u>	<u>\$ 6,265,166</u>

The notes to the financial statements are an integral part of this statement.

* Audited as of 12/31/06

City of Southfield
Balance Sheet
Governmental Funds
June 30, 2007

	Major Funds		Non-Major Funds	
	General	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 5,044,421	\$ 42,196	\$ 8,756,361	\$ 13,842,978
Investments	5,038,463	1,273,065	23,213,066	29,524,594
Receivables, net (Note 3B)	8,710,165	21,457	4,899,967	13,631,589
Prepays	903,810	314,887	85,980	1,304,677
Due from other funds (Note 3F)	4,238,116	2,309,170	989,532	7,536,818
Due from component units	831,425			831,425
Due from other governmental units			788,341	788,341
Inventories	211,311			211,311
Restricted assets: (Note 3A)				
Cash and cash equivalents		671,289	1,445,606	2,116,895
Total assets	<u>\$ 24,977,711</u>	<u>\$ 4,632,064</u>	<u>\$ 40,178,853</u>	<u>\$ 69,788,628</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	771,576	301,847	986,952	2,060,375
Accrued payroll	765,624		110,799	876,423
Due to other funds (Note 3F)	5,657,027	14,537	5,858,180	11,529,744
Due to component units	75,875			75,875
Deferred revenue (Note 3B)	2,521,468		3,490,604	6,012,072
Other short-term liabilities	205,365		237,227	442,592
Advances from local improvement revolving fund (Note 3F)		4,547,356	2,410,185	6,957,541
Total liabilities	<u>9,996,935</u>	<u>4,863,740</u>	<u>13,093,947</u>	<u>27,954,622</u>
Fund balances (deficit): (Note 4A)				
Reserved for:				
Right-of-way funds/Metro Authority	420,021			420,021
Encumbrances	105,020		1,350,455	1,455,475
Specific programs			1,484,309	1,484,309
Debt service			2,853,674	2,853,674
Restricted assets		671,289	1,445,606	2,116,895
Unreserved:				
Designated for:				
Subsequent year's expenditures	900,000			900,000
Specific programs	7,609,006		2,259,601	9,868,607
Undesignated	5,946,729			5,946,729
Reported in:				
Special revenue			16,858,358	16,858,358
Capital Projects		(902,965)	832,903	(70,062)
Total fund balances (deficit)	<u>14,980,776</u>	<u>(231,676)</u>	<u>27,084,906</u>	<u>41,834,006</u>
Total liabilities and fund balances	<u>\$ 24,977,711</u>	<u>\$ 4,632,064</u>	<u>\$ 40,178,853</u>	<u>\$ 69,788,628</u>

The notes to the financial statements are an integral part of this statement.

City of Southfield
Reconciliation of the Balance Sheet -
Governmental Funds to the Government-wide
Statement of Net Assets
June 30, 2007

Fund balance for governmental activities	\$	41,834,006
------------------------------------------	----	------------

Amounts reported for governmental activities
in the statement of net assets are different
because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	145,129,374
---------------------------------------------------------------------------------------------------------------------------------	-------------

Long-term liabilities are not due and payable in the
current period and therefore are not reported in the funds:

Accrued interest payable	(494,590)
Bonds payable	(55,082,342)
Installment purchase agreement	(897,013)
Compensated absences - long-term	(10,583,010)
Michigan tax tribunal liability	(3,137,989)

Other long-term assets are not available to pay for current- period expenditures and, therefore, are deferred in the funds	4,087,064
-------------------------------------------------------------------------------------------------------------------------------	-----------

Internal service funds are used by management to charge the costs of maintaining facilities equipment and fleet management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	<u>45,411,815</u>
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------

Government-wide net assets of governmental activities	\$	<u><u>166,267,315</u></u>
-------------------------------------------------------	----	---------------------------

The notes to the financial statements are an integral part of this statement.

City of Southfield
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	Major Funds		Non-Major Funds	Total
	General	Capital Improvement Fund	Other Governmental Funds	Governmental Funds
REVENUES				
Taxes	\$ 41,670,062		\$ 18,236,695	\$ 59,906,757
Special assessments			391,334	391,334
Charges for services	3,201,098		2,959,918	6,161,016
Sanitation	3,288,850			3,288,850
Licenses and permits	2,266,707			2,266,707
Fines and forfeitures	4,230,378		445,910	4,676,288
Franchise fees			933,968	933,968
Intergovernmental:				
Federal	72,452	\$ 622,542	4,567,835	5,262,829
State	5,891,365	299,941	5,399,696	11,591,002
Other	546,811	6,000	324,335	877,146
Contributions and donations		75	200,255	200,330
Investment earnings	1,621,828	110,175	1,986,846	3,718,849
Other	1,042,040	87,841	942,540	2,072,421
Total revenues	63,831,591	1,126,574	36,389,332	101,347,497
EXPENDITURES				
Current:				
General government	10,145,827	4,092,056		14,237,883
Public safety	43,188,869		629,874	43,818,743
Highways and streets			11,224,023	11,224,023
Public services	1,244,991			1,244,991
Sanitation	3,135,037			3,135,037
Community improvement			983,888	983,888
Social services	389,470		3,236,674	3,626,144
Culture and recreation		7,082	14,747,702	14,754,784
Other			1,505,418	1,505,418
Insurance and bonds	700,088			700,088
Support services	3,685,933			3,685,933
Debt service:				
Principal retirement		285,180	1,201,770	1,486,950
Interest and fiscal charges	92,086	30,554	2,319,967	2,442,607
Total expenditures	62,582,301	4,414,872	35,849,316	102,846,489
Excess (deficiency) of revenues over (under) expenditures	1,249,290	(3,288,298)	540,016	(1,498,992)
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 3F)	17,644	2,922,891	5,870,599	8,811,134
Transfers out (Note 3F)	(561,259)		(5,439,701)	(6,000,960)
Total other financing sources (uses)	(543,615)	2,922,891	430,898	2,810,174
Net change in fund balances	705,675	(365,407)	970,914	1,311,182
Fund balances - beginning	14,275,101	133,731	26,113,992	40,522,824
Fund balances (deficit) - ending (Note 2B)	\$ 14,980,776	\$ (231,676)	\$ 27,084,906	\$ 41,834,006

The notes to the financial statements are an integral part of this statement.

City of Southfield

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-wide Statement of Activities For the Year Ended June 30, 2007

Net change in fund balances – total governmental funds	\$	1,311,182
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are recorded as capital assets		9,203,807
Governmental activities allocate the cost of capital assets over their estimated useful lives as depreciation expense.		(6,130,525)
Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Assets. Long-term debt for capital assets is a reduction of net assets however, a reduction of the debt increases net assets. This is the amount of principal paid on long-term debt.		1,486,950
Current year's amortization for discounts payable.		(6,372)
Delinquent personal property taxes are recorded in the statement of activities when the tax is assessed; they are not reported in the funds until collected or collectable within 60 days of year end		(24,759)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The amount of expenditures for accumulated compensated absences is reported here.		(333,297)
Internal Service funds are used by management to charge the costs of certain activities, such as motor pool, and equipment replacement, to individual funds. The net activity of the internal service funds is reported with governmental activities.		(226,872)
Increase in accrued interest payable on long-term debt		<u>6,445</u>
Change in net assets government-wide statement of governmental activities	\$	<u><u>5,286,559</u></u>

The notes to the financial statements are an integral part of this statement.

City of Southfield
Statement of Net Assets
Proprietary Funds
June 30, 2007

	Business-type Activities - Enterprise Fund Water and Sewer	Associated Governmental Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 689,579	\$ 458,536
Investments	3,345,470	24,046,420
Receivables, net (Note 3B)	13,042,154	338,928
Prepays	9,798	324,383
Due from other funds (Note 3F)	392,715	7,389,590
Inventory	440,505	345,609
Restricted assets: (Note 3A)		
Cash and cash equivalents		1,108,958
Total current assets	17,920,221	34,012,424
Noncurrent assets:		
Long-term advances to other funds (Note 3F)		7,557,541
Long-term advances to component units (Note 3F)		4,415,864
Long-term advances to employees		48,699
Capital assets:		
Infrastructure and construction in progress	115,172,102	
Equipment and intangibles	2,392,816	23,949,595
Total capital assets	117,564,918	23,949,595
Less accumulated depreciation	(44,153,448)	(18,593,970)
Total capital assets (net of accumulated depreciation)	73,411,470	5,355,625
Total noncurrent assets	73,411,470	17,377,729
Total assets	91,331,691	51,390,153
LIABILITIES		
Current liabilities:		
Accounts payable	3,675,158	640,915
Deposits and escrow	281,829	
Accrued payroll	24,293	16,689
Insurance payable		784,520
Workers' compensation payable		1,130,315
Interest payable	206,410	
Due to other funds (Note 3F)	841,190	2,948,189
Due to component units		6,349
Revenue bonds payable (Note 3D)	2,796,089	
Total current liabilities	7,824,969	5,526,977
Noncurrent liabilities: (Note 3D)		
Accrued compensated absences	302,685	451,361
Long-term advances from other funds (Note 3F)	600,000	
Revenue bonds payable	28,582,085	
Total noncurrent liabilities	29,484,770	451,361
Total liabilities	37,309,739	5,978,338
NET ASSETS		
Invested in capital assets, net of related debt	41,433,296	5,355,625
Restricted for premiums		1,108,958
Unrestricted	12,588,656	38,947,232
Total net assets	\$ 54,021,952	\$ 45,411,815

The notes to the financial statements are an integral part of this statement.

City of Southfield

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Proprietary Funds

For the Year Ended June 30, 2007

	Business-type Activities - <u>Enterprise Fund</u> <u>Water and Sewer</u>	Associated Governmental <u>Internal</u> <u>Service Funds</u>
OPERATING REVENUES		
Charges for consumption and service:		\$ 10,295,328
Water and sewage charges	\$ 30,510,012	
Installation charges	141,949	
Interest and penalties	1,074,076	
Other	261,713	1,308,500
Total operating revenues	<u>31,987,750</u>	<u>11,603,828</u>
OPERATING EXPENSES		
Administration	3,266,099	2,541,175
Equipment and facility operation		6,598,191
Transmission and distribution	18,770,109	
Service installation and meter reading	1,322,223	
Depreciation and capital adjustments	3,979,261	1,350,187
Other		285,077
Total operating expenses	<u>27,337,692</u>	<u>10,774,630</u>
Operating income	4,650,058	829,198
NONOPERATING REVENUES		
Gain on disposition of assets		4,636
Investment income	413,912	1,411,586
Total nonoperating revenue	<u>413,912</u>	<u>1,416,222</u>
Income before transfers	5,063,970	2,245,420
OTHER FINANCING USES		
Transfers out (Note 3F)	<u>(337,882)</u>	<u>(2,472,292)</u>
Change in net assets	4,726,088	(226,872)
Total net assets - beginning	<u>49,295,864</u>	<u>45,638,687</u>
Total net assets - ending	<u>\$ 54,021,952</u>	<u>\$ 45,411,815</u>

The notes to the financial statements are an integral part of this statement.

City of Southfield
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007

	Business-type Activities - Enterprise Fund Water and Sewer	Associated Governmental Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from users	\$ 29,132,084	\$ 11,500,084
Cash paid to employees	(2,649,324)	(4,059,420)
Cash paid to suppliers	(19,787,617)	(5,588,171)
Net cash provided by operating activities	<u>6,695,143</u>	<u>1,852,493</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Advance (payment) within an interfund	(747,975)	3,122,596
Long-term payments		(203,726)
Long-term advances received from component units		1,269,211
Long-term advances to employees		4,909
Transfers out	(337,882)	(2,176,927)
Net cash provided by (used in) noncapital and related financing activities	<u>(1,085,857)</u>	<u>2,016,063</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of property and equipment	(159,013)	(1,818,021)
System improvements	(2,853,983)	
Payment of revenue bonds	(2,591,564)	
Net cash used in capital and related financing activities	<u>(5,604,560)</u>	<u>(1,818,021)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds (loss) from sales and maturities of investments	96,163	(4,654,527)
Investment income	338,657	1,235,813
Net cash provided by (used in) investing activities	<u>434,820</u>	<u>(3,418,714)</u>
Net increase (decrease) in cash, cash equivalents	439,546	(1,368,179)
Cash, cash equivalents, beginning of year	250,033	1,826,715
Cash, cash equivalents, end of year	<u>\$ 689,579</u>	<u>\$ 458,536</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	\$ 4,650,058	\$ 533,833
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation and capital adjustments	3,979,261	1,350,187
Receivables	(2,849,168)	21,807
Prepays	(5,211)	(298,576)
Due from component units		518,634
Inventory	(1,287)	(345,609)
Accounts payable	792,416	41,070
Accrued payroll	(16,128)	(40,654)
Accrued compensated absences	75,697	136,740
Other liabilities	76,407	
Workers' compensation payable		433,589
Interest payable	(6,902)	(504,877)
Due to component units		6,349
Net cash provided by operating activities	<u>\$ 6,695,143</u>	<u>\$ 1,852,493</u>

The notes to the financial statements are an integral part of this statement.

(This page left intentionally blank.)

City of Southfield
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

	Pension (and Other Post-Employment Benefits) Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 4,610,411	\$ 2,301,787
Investments, at fair value:		
Government obligations	20,275,285	3,723,359
Corporate bonds	43,813,742	
Common stock	211,231,811	
Real estate and other	78,562,456	
Cash and investments held as collateral for securities lending - short term investments pools	36,754,672	
Total investments	<u>390,637,966</u>	<u>3,723,359</u>
Prepays	433,995	
Receivables, net	754,442	21,460
Total assets	<u>396,436,814</u>	<u>6,046,606</u>
LIABILITIES		
Accounts payable	205,130	357,649
Obligations under securities lending agreements	36,754,672	
Deposits and escrow		4,244,119
Due to other governmental units		1,444,838
Total liabilities	<u>36,959,802</u>	<u>6,046,606</u>
NET ASSETS		
Reserved for pension benefits	329,775,732	
Reserved for post-retirement health care benefits	29,701,280	
Total net assets	<u>\$ 359,477,012</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

City of Southfield
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2007

	Pension (and Other Post-Employment Benefits) Trust Funds
ADDITIONS	
Contributions:	
Plan members	\$ 1,353,065
Employer	10,112,152
Total contributions	<u>11,465,217</u>
Investment earnings:	
Net increase in fair value of investments	51,013,141
Interest	5,174,501
Dividends	3,200,865
Total investment earnings	<u>59,388,507</u>
Less investment expense:	1,125,140
Net investment earnings	<u>58,263,367</u>
Total additions	<u>69,728,584</u>
DEDUCTIONS	
Benefits	18,116,324
Health care expense	3,233,415
Administrative expense	595,449
Total deductions	<u>21,945,188</u>
Net increase	47,783,396
Net assets - beginning	<u>311,693,616</u>
Net assets - ending	<u><u>\$ 359,477,012</u></u>

The notes to the financial statements are an integral part of this statement.

City of Southfield
Statement of Net Assets
Discretely Presented Component Units
June 30, 2007

	Major Funds			Non-Major Funds			
	Downtown Development Authority	Tax Increment Finance Authority	Local Development Finance Authority	Economic Development Corporation	Brownfield Re-development Authority	Joint Local Development Finance Authority	Totals
ASSETS							
Cash and cash equivalents	\$ 285,456	\$ 10,622	\$ 3,535,564	\$ 16,922	\$ 143,688	\$ 713,866	\$ 4,706,118
Investments	1,553,067	4,642,438		66,349			6,261,854
Receivables, net (Note 3B)	452,505	381,183	199,336	2,514	38,674	8,828	1,083,040
Prepays	1,543						1,543
Due from primary government	6,349		67,379		8,496		82,224
Due from component units		7,127	8,915				16,042
Total current assets	2,298,920	5,041,370	3,811,194	85,785	190,858	722,694	12,150,821
Leased equipment	5,778						5,778
Capital assets: (Note 3C)							
Land	350,000						350,000
Machinery and equipment	63,421						63,421
Less accumulated depreciation	(63,421)						(63,421)
Net capital assets	350,000	-	-	-	-	-	350,000
Total assets	2,654,698	5,041,370	3,811,194	85,785	190,858	722,694	12,506,599
LIABILITIES							
Accounts payable and other current liabilities	18,509	1,794	75	1,764			22,142
Due to primary government	133,465	557,903	100,093	1,468		38,497	831,426
Due to other governmental units		781,795					781,795
Due to component units				8,915	7,127		16,042
Unearned revenue (Note 3B)	5,674	68,283					73,957
Total current liabilities	157,648	1,409,775	100,168	12,147	7,127	38,497	1,725,362
Noncurrent liabilities: (Note 3D)							
Due within one year	55,560						55,560
Due in more than one year	829,544	469,521	4,046,497	3,605	5,244		5,354,411
Total liabilities	1,042,752	1,879,296	4,146,665	15,752	12,371	38,497	7,135,333
NET ASSETS							
Invested in capital assets, net of related debt	350,000						350,000
Unrestricted	1,261,946	3,162,074	(335,471)	70,033	178,487	684,197	5,021,266
Total net assets	\$ 1,611,946	\$ 3,162,074	\$ (335,471)	\$ 70,033	\$ 178,487	\$ 684,197	\$ 5,371,266

The notes to the financial statements are an integral part of this statement.

City of Southfield
Statement of Activities
Discretely Presented Component Units
For the Year Ended June 30, 2007

				Major Funds			Non-Major Funds			Totals	
	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets							
		Charges for Services	Operating Grants and Contributions	Downtown Development Authority	Tax	Local	Economic Development Corporation	Brownfield Re-development Authority	Joint Local Development Finance Authority		
					Increment Finance Authority	Development Finance Authority					
Major Funds											
DDA											
Community improvement	\$ 615,976	\$ 225,614		\$ (390,362)						\$ (390,362)	
Tax Increment Finance Authority											
Community improvement	1,307,888				\$ (1,307,888)					(1,307,888)	
Local Development Finance Authority											
Community improvement	114,530		\$ 692,980			\$ 578,450				578,450	
Non-Major Funds											
EDC											
Community improvement	35,715						\$ (35,715)			(35,715)	
Brownfield											
Community improvement	20,283	8,219						\$ (12,064)		(12,064)	
Total component units	<u>\$ 2,094,392</u>	<u>\$ 233,833</u>	<u>\$ 692,980</u>	(390,362)	(1,307,888)	578,450	(35,715)	(12,064)	\$ -	(1,167,579)	
General revenues:											
Property taxes				850,321	1,134,550	2,083,824		158,032	272,672	4,499,399	
Unrestricted investment earnings				116,370	348,198	212,554	4,618	15,491	42,764	739,995	
Miscellaneous				15,623						15,623	
Total general revenues				<u>982,314</u>	<u>1,482,748</u>	<u>2,296,378</u>	<u>4,618</u>	<u>173,523</u>	<u>315,436</u>	<u>5,255,017</u>	
Change in net assets											
Net assets - beginning				591,952	174,860	2,874,828	(31,097)	161,459	315,436	4,087,438	
Net assets - ending				<u>1,019,994</u>	<u>2,987,214</u>	<u>(3,210,299)</u>	<u>101,130</u>	<u>17,028</u>	<u>368,761</u>	<u>1,283,828</u>	
				<u>\$ 1,611,946</u>	<u>\$ 3,162,074</u>	<u>\$ (335,471)</u>	<u>\$ 70,033</u>	<u>\$ 178,487</u>	<u>\$ 684,197</u>	<u>\$ 5,371,266</u>	

The notes to the financial statements are an integral part of this statement.

City of Southfield

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Incorporation of city

The City of Southfield was incorporated on April 28, 1958, under the provisions of Act 279, P.A. 1909, as amended ("Home Rule City Act"). The City operates under a council/administrator form of government and provides the following services as authorized by its charter: public safety, public works, culture, recreation and community development.

The basic financial statements of the City of Southfield (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles and are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). The City's more significant accounting policies are described below.

A. Reporting entity

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the City's operations given the level of financial interdependence with the City. Data from these units are combined with data of the City ("primary government"). Each discretely presented component unit, on the other hand, is legally separate with a board appointed by the City. In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may or may not be financially accountable and, as such, has included them within the City's financial statements. In accordance with GASB Statement No. 14, the City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose a specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Data from these units is segregated from the primary government in the combined financial statements. Each blended and discretely presented component unit's financial information has been included based upon a June 30 year-end except for Southfield Non-profit Housing which numbers were based upon a December 31 year end.

Blended Component Units: The following component units have been blended into the City's basic financial statements:

- City of Southfield Library Building Authority
- City of Southfield Building Authority
- Southfield Employee Retirement System
- Fire and Police Retirement System
- Retiree Health Care & Benefits Trust

City of Southfield

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity (continued)

The Southfield Library Building Authority Board consists of 6 members appointed by City Council, thereby appointing a voting majority. In addition, the repayment of the Southfield Library Building Authority's bonds is financed through an operating millage for library operations. The Southfield Building Authority Board consists of 4 members appointed by City Council, and the City Administrator, thereby appointing a voting majority. The Building Authorities are reported as a Governmental Fund type. The Southfield Employee Retirement System Board consists of 3 members appointed by City Council, 1 member appointed by the Mayor, 2 members elected by active members and 1 member elected by retirees, thereby appointing a voting majority. The Southfield Fire and Police Retirement System Board consist of 2 members appointed by City Council, the City Treasurer, one member from elected active police rank and one member elected from the active fire ranks, thereby appointing a voting majority. The Retiree Health Care & Benefits Trust Board consists of 11 members. It is made up of the Fire and Police Retirement Board, Administrative Civil Service Commission, 2 general employee representatives and the City Administrator, thereby, the City appoints a voting majority. The Southfield Employee Retirement System, the Fire and Police Retirement System and the Retiree Health Care & Benefits Trust are reported as Fiduciary Fund types.

Discretely Presented Component Units: The Component Unit columns in the combined financial statements include the financial data of the City's other component units. The following component units are reported in separate columns to emphasize that they are legally separate from the City:

Downtown Development Authority
Economic Development Corporation
Tax Increment Finance Authority
Local Development Finance Authority
Brownfield Redevelopment Authority
Joint- Local Development Finance Authority
Southfield Nonprofit Housing Corporation

Downtown Development Authority: The Downtown Development Authority has a 13-member board, appointed by the Mayor, committed to the economic development of the designated downtown district in and around the Northland Center. This Authority was formed under Public Act 1975, No. 197, and is funded through a 2-mill tax levy on all real and personal property within the district and a tax increment financing plan.

Economic Development Corporation ("EDC"): The Economic Development Corporation ("EDC") was formed in February of 1980, in accordance with the State of Michigan Public Act 338 of 1974, for the purpose of stimulating economic activity in the City of Southfield. Industrial projects ultimately approved by the Economic Development Corporation are financed through the sale of Industrial Revenue Bonds. In addition, the EDC offers loans and participates in other economic development and rehabilitation programs.

The Tax Increment Financing Authority: The Tax Increment Financing Authority ("TIFA") was organized pursuant to the State of Michigan, Public Act 450 of 1980. Its primary purpose is to finance and develop public improvements to promote growth and increase property tax valuation. Any new or additional assessed value in the development district is declared "captured assessed value." The property taxes collected thereon are transferred to the Authority as "tax increment revenues" and used to finance the development plan.

City of Southfield

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity (continued)

Local Development Finance Authority: The Local Development Finance Authority ("LDFA") was organized on September 25, 1989 pursuant to the State of Michigan Public Act 281 of 1986. The LDFA is similar to the TIFA, but is restricted to industrial and manufacturing areas. The primary purpose of the Authority is to finance and develop public improvements to promote growth and increase property tax valuation. This purpose is accomplished by the Authority designing a development district and analyzing the property to determine the initial assessed value. Any new or additional assessed value, whether from new construction or increased market value, is declared "captured assessed value." The property taxes collected thereon are transferred to the Authority as "tax increment revenues" and used to finance the development plan.

Brownfield Redevelopment Authority: The Brownfield Redevelopment Authority is a corporate public body, created by the State of Michigan under Public Act 381 of 1996, consisting of the serving members of the Local Development Financing Authority (LDFA). Its purpose is to promote the revitalization of environmentally distressed, blighted and functionally obsolete properties through the use of tax increment financing.

Joint-Local Development Finance Authority:

The Joint-Local Development Finance Authority was created under Public Act 248 of 2000, an amendment to the Local Development Finance Authority Act created under Michigan Public Act 281 of 1986. The Joint-LDFA is a joint authority with the City of Troy in which each city has prepared its own development and financing plan by creating a Certified Technology Park, also known as a SmartZone or Smart Park, whose primary purpose is to develop and finance public improvements to promote growth and economic development. This purpose is accomplished by the Authority designing a development district and analyzing the property to determine the initial assessed value. Any new or additional assessed value is declared "captured assessed value." Most Local and ½ of School property taxes collected thereon are transferred to the Authority as "tax increment revenues" and used to finance the development plan.

The City assesses, collects and distributes property taxes for several school districts, including the Southfield Public Schools. These districts are not included in these financial statements because they are entities with independently elected Boards of Education who establish their own millage rates and are responsible for all financial control, including budgeting and operating surpluses and deficits.

Southfield Nonprofit Housing Corporation: The Corporation is organized as a nonprofit corporation formed on February 1, 1973, to provide housing for persons of low and moderate income in the City of Southfield. The City appoints a voting majority of the Corporation and is able to impose its will on the Corporation. The discretely presented component unit is reported as a Proprietary Fund type.

Complete financial statements can be obtained from the office of:

Tama, Budaj & Raab, P.C.
Certified Public Accountants
32783 Middlebelt Road
Farmington Hills, MI 48334-1726

City of Southfield

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Basis of presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories: Invested in capital assets, net of related debt, restricted net assets and unrestricted net assets. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors and the like, or imposed by law.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

The statement of net assets and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the Governmental Accounting Standards Board Statement 33.

The statement of net assets and the statement of activities display information about the City as a whole. The statements include all funds of the primary government and its component units, except for its fiduciary funds. Those funds are reported in the statements of fiduciary net assets and changes in fiduciary net assets.

The statement of net assets and the statement of activities are presented to distinguish between governmental and business type activities of the City. Governmental activities are financed through taxes, intergovernmental revenues and other non-exchange revenues. These activities are reported in governmental and internal service funds. For the most part, the effect of interfund activity has been removed from these statements. Business type activities are financed by fees charged to external parties for goods or services. These activities are reported in the City's enterprise funds.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Capital assets are reported in the government wide statements at historical cost. Capital assets include land, improvements to land, buildings, building improvements, vehicles, machinery, equipment and all other tangible or intangible assets that are used in operations and have initial useful lives beyond a single reporting period and cost over \$5,000. Infrastructure assets are long-lived capital assets that normally can be preserved for a significantly greater number of years than most capital assets.

City of Southfield

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Basis of presentation (continued)

Capital assets that are being depreciated are reported net of accumulated depreciation in the statement of net assets. Capital assets that are not being depreciated, such as land, are reported separately.

Capital assets are depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities by allocating the net cost over the estimated useful life of the asset. Assets are depreciated on an individual basis for equipment and buildings.

GOVERNMENTAL FUNDS

The city reports the following major governmental funds:

GENERAL FUND: The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

CAPITAL IMPROVEMENT FUND: The Capital Improvement Fund is the basic Capital Project Fund of the City, accounting for all major projects not specifically segregated by bond ordinance.

The city reports the following major proprietary fund:

ENTERPRISE FUND: The Enterprise Fund is used to account for (1) operations that are financed and operated in a manner similar to business enterprises - where the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are to be financed or recovered primarily through user charges, and (2) operations where the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Water and Sewer Fund: Water sales support the purchase of water from the Southeastern Oakland County Water Authority and the installation and maintenance of meters and mains throughout the City. Sewer disposal charges to customers pay for treatment of sewerage and fund installation and maintenance of sanitary sewers in the EVERGREEN area (west of Southfield Road) and of combined sanitary and storm sewers on the "SEOCSDS" area (east of Southfield Road).

Additionally, the city reports the following fund types:

Associated Governmental Funds

Internal Service Funds: Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis. These funds include Facilities Maintenance, Motor Pool, Equipment Revolving, Insurance Risk Retention, Local Improvement Revolving and the Employee Incentive Loan Program.

Generally accepted accounting principles for the associated governmental funds are similar to those applicable to a business enterprise in the private sector.

Fiduciary Funds

Trust and Agency Funds: Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These funds include Pension Trust Agency. Expendable Trust funds are accounted for and reported as Governmental Funds.

City of Southfield

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Basis of presentation (continued)

TRUST

Pension Trust: These funds account for employee and employer pension contributions, accumulated assets, administrative expenses, investment income and payments to beneficiaries. The funds include the Employee Retirement and the Fire & Police.

Retiree Health Care Benefits Plan & Trust: This fund accounts for employer post retirement health care contributions, accumulated assets, administrative expenses and investment income. Payments for beneficiaries are not anticipated until the reserves for post retirement health care benefits have been depleted in the pension trusts.

AGENCY

Deposits and Escrow: This fund is for builders' cash bonds and similar escrow deposits.

Imprest Payroll: This fund is a clearing-account for payroll disbursements which is replenished from other funds.

46th District Court: The district court operates in an agency capacity and collects fine and fee revenues and distributes them to the appropriate governmental unit or agency. The City is the District Control Unit for the district court, and it provides all facilities, services and payroll expenses required for the proper functioning of the district court.

C. Basis of accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected within 60 days after year end to pay liabilities of the current period. Significant revenues susceptible to accrual include reimbursement grants, state shared revenues and charges for services.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred provided the liability normally would be liquidated with expendable available financial resources. The major exception to this general rule is principal and interest on long-term debt which is recognized when due and paid.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus. This means that generally only current assets and current liabilities are included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available, spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All proprietary funds and the pension trust funds are accounted for on a cost of services or "economic resources" measurement focus. This means that all assets and all liabilities (whether current or non-

City of Southfield

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of accounting (continued)

current) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets. Proprietary and Pension Trust funds use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

D. Assets, liabilities, and equity

(a) Investments: The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value, based on quoted market prices. Investments and certificates of deposit are purchased with pooled cash and are generally held to maturity. Interest is allocated on the basis of time-and-dollar weighted participation in each pool.

(b) Interfund receivables/payables: During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term receivables and payables resulting from such transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet. Any residual balances between the government activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a reservation of fund balance.

(c) Inventories: Inventories are stated at a first-in, first-out cost method and are accounted for using the purchasing method except for certain items used in the governmental and proprietary funds such as sign shop inventory which are accounted for on the consumption method.

(d) Capital Assets: Capital assets which include property and equipment are stated at historical cost or, if donated, fair market value at the date of donation. Expenditures which materially extend the useful life of existing properties are capitalized. All costs relating to the construction of facilities are capitalized, including salaries, employee benefits and bond interest costs. Certain governmental improvements, including roads, bridges, storm sewers and sidewalks are not capitalized. Drain usage rights are capitalized assets relating to City drains that are maintained by Oakland County.

Depreciation is recorded for property and equipment using the straight-line method over the estimated useful lives of the related assets.

The estimated useful lives are:

Land improvements	10-50 years
Buildings and improvements	10-50 years
Infrastructure	5-30 years
Intangibles	10-50 years
Drain Usage rights	50 years
Equipment	2-10 years
Water mains	50 years

Depreciation of property and equipment contributed by entities independent of the City (such as construction contractors) is charged to fund operations.

City of Southfield

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Assets, liabilities, and equity (continued)

(e) **Compensated Absences:** The City recognizes expenditures and liabilities in Governmental Funds for the accrued vacation and sick pay as it comes due for payment (when the time is taken off or an employee terminates). The remaining amount of the unpaid vacation and sick pay liability has been recognized in the Statement of Net Assets as non-current liabilities. The Proprietary Funds accrue all unpaid vacation and sick pay as it is earned and has been accrued therein in its entirety.

(f) **Fund equity:** In the financial statements, governmental funds report reservations of fund equity not available for expenditure, encumbered or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

2. COMPLIANCE AND ACCOUNTABILITY

A. **Budgetary Data:** The preparation of the budget begins in October with the establishment of written goals and parameters through the City Administrator's Office and the distribution of budget instructions by the Office of Management and Budget. The remaining steps and deadlines are strictly outlined in the City Charter:

- On or before March 1 – Each department head must submit a departmental budget to the City Administrator.
- On or before April 1- the Administrator shall submit the budget to the Mayor.
- On or before the first regular Council meeting in May - the Mayor shall submit the budget to Council.
- Not later than the third week in June - the Council shall adopt a budget by an affirmative vote of at least five members, at a Special Budget Meeting called for such purposes.
- The City's fiscal year begins July 1.
- The public is kept well informed throughout the budget process through the issuance of press releases, availability of budget documents at both the City Clerk's Office and Southfield Public Library at various stages in the formulation process, and creation of a budget summary videotape which plays periodically on the City's cable television station. Citizens are encouraged to actively participate in all public hearings.
- The individual department head is authorized to transfer budgeted amounts within the respective appropriation unit (e.g., Treasurer's Office), unless the transfer involves personnel or capital line items, in which case, the approval of the Director of Financial Services or the City Administrator is also required. However, any revisions that alter an appropriation unit's total budget must be approved by City Council. Such budget adjustments took place, as authorized by the City Council, for the year ended June 30, 2007, and the budgetary data reflects the effect of those amendments.
- Appropriations for the fiscal year lapse every June 30. Council may re-appropriate any amount at its discretion.
- Budgets are legally adopted on an activity basis for the General and Special Revenue Funds. These budgets are presented on the same basis of accounting as used for actual results. They are adopted by Council on a non-GAAP basis. A note reconciling the adopted budget to the presented budget is disclosed in Note 3 E. Capital Projects and Debt Service Funds are approved by City Council on a project length basis, with annual expenditures included within Governmental Fund appropriation units. Budgets and actual comparisons are not reported in the Financial Statements for those funds where no annual budgets are prepared.

City of Southfield

Notes to the Financial Statements

2. COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data (continued)

- These non-major governmental funds require an annual budget:

Major street fund	Section 8 Housing
Local street fund	Drug law enforcement fund
Municipal street fund	Library fund
Parks & Recreation fund	Michigan works fund
Cable television fund	Auto theft grant fund
Block grant fund	

B. Individual Fund Deficit Disclosures

The following individual funds have an accumulated deficit at June 30, 2007:

Capital Projects Fund

Capital Improvement Fund	\$ (231,676)
Special Assessment Construction Fund	(895,631)

The deficit in the Capital Improvement Fund arises from expenditures made on capital improvement projects which are funded with a long term advances from the Local Improvement Revolving Fund. The advances will be repaid with annual required payments, including principal and interest, from various Special revenue and Enterprise funds. The maximum maturity for these advances is 20 years.

The deficit in the Special Assessment Construction Fund arises from expenditures made on sidewalk projects which are funded with a long term advance from the Local Improvement Revolving Fund. Special assessment advances will be repaid within 10 years from proceeds derived from annual special assessment billings to property owner's benefiting from the improvement.

3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The City is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The pension and other post-employment benefits trust fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations and certain other specified investment vehicles.

City of Southfield

Notes to the Financial Statements

3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments (continued)

The City has designated 10 banks for the deposit of its funds. The investment policy adopted by the council in accordance with Public Act 196 of 1997 is in accordance with statutory authority; however, the City employs a more conservative investment policy and invests only in the highest rated commercial paper. The City participates only with qualified banks and primary investment firms that adhere to the specific guidelines established by industry practice for repurchase agreements. Guidelines require that securities underlying repurchase agreements must have a market value of at least 102% of the cost of the repurchase agreement.

The Southfield Employees Retirement System (SERS) has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 is in accordance with statutory authority. Various professional investment managers are contracted to assist in the managing of these funds' assets.

The Southfield Fire and Police Retirement System (SFPRS) has designated bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 is in accordance with statutory authority. Various professional investment managers are contracted to assist in the managing of these funds' assets.

The Southfield Retiree Health Care & Benefits Trust System (SHCBTS) has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 is in accordance with statutory authority. Various professional investment managers are contracted to assist in the managing of these funds' assets.

The City, pension funds, and other post-employment benefits trust funds' cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

City – The City's investment policy requires all investment transactions be conducted on a delivery versus payment basis. All securities, evidenced by a safekeeping receipt, shall be held by a third party custodian. At year end, the City had \$10,294,148 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

SERS – The SERS investment policy does not have a deposit policy for custodial credit risk. At year end, the SERS had no bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized.

SFPRS – The SFPRS investment policy does not have a deposit policy for custodial credit risk. At year end, the SFPRS had no bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized.

City of Southfield

Notes to the Financial Statements

3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments (continued)

SHCBTS – The SHCBTS investment policy does not have a deposit policy for custodial credit risk. At year end, the SHCBTS had no bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized.

Interest rate risk

Interest rate risk:

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates.

City – The city's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with an original maturity of 180 days or less. At year end, the average maturities of investments are as follows:

Investments:		Fair Market Value	Weighted Average Maturity
U.S. government agencies	\$	66,669,480	2.18 years

SERS – The SERS investment policy does not restrict investment maturities. At year end, the weighted average maturities of investments are as follows:

Investments:		Fair Market Value	Weighted Average Maturity
U.S. government obligations	\$	6,391,880	13.74 years
Mortgage backed securities		6,162,066	26.08 years
Corporate bonds		4,465,016	6.73 years
U.S. government agencies		3,048,945	2.18 years
Collateralized mortgage obligations		335,285	11.63 years
Asset backed securities		253,179	26.52 years

SFPRS – The SFPRS investment policy does not restrict investment maturities. At year end, the weighted average maturities of investments are as follows:

Investments:		Fair Market Value	Weighted Average Maturity
Corporate convertible bonds	\$	9,228,746	17.01 years
Real estate mortgage		6,000,000	2.26 years
Corporate bonds		5,883,179	5.46 years
U.S. government agencies		4,844,271	6.48 years
U.S. government mortgage backed securities		2,543,781	3.77 years
Rights and warrants		5,255	3.96 years

SHCBTS – The SHCBTS investment policy does not restrict investment maturities. At year end, the weighted average maturity of investments was as follows:

Investments:		Fair Market Value	Weighted Average Maturity
Bond index fund	\$	3,362,661	7.27 years

City of Southfield
Notes to the Financial Statements
3. DETAILED NOTES ON ALL FUNDS
A. Deposits and Investments (continued)

Credit risk:

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations.

City – The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U. S. government) are as follows:

<u>Investment</u>		<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
U.S. government securities	\$	66,669,480	AAA	Standard & Poor's
Bank investment pool		4,776,262	A1	Standard & Poor's
Bank investment pool		7,869,010	Not Rated	n/a

SERS – The SERS has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U. S. government) are as follows:

<u>Investment</u>		<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
U.S. government obligations	\$	6,391,880	AAA	S&P
U.S. government agencies		2,232,435	AAA	S&P
Corporate bonds		189,458	AAA	S&P
Corporate bonds		432,395	AA+	S&P
Corporate bonds		495,516	AA	S&P
Corporate bonds		437,240	AA-	S&P
Corporate bonds		824,529	A+	S&P
Corporate bonds		1,289,380	A	S&P
Corporate bonds		242,603	A-	S&P
Corporate bonds		553,896	BBB+	S&P
Collateralized mortgage obligations		335,285	Not Rated	N/A
Mutual funds		6,786,556	Not Rated	N/A
Mortgage backed securities		6,162,066	Not Rated	N/A
Asset backed securities		253,179	Not Rated	N/A

City of Southfield

Notes to the Financial Statements

SFPRS – The SFPRS has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U. S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Corporate bonds	\$ 605,158	AAA	Standard & Poor's
Corporate convertible bonds	173,481	AAA	Standard & Poor's
U.S. government agencies	1,258,070	AAA	Standard & Poor's
Corporate convertible bonds	450,000	AA+	Standard & Poor's
Corporate bonds	405,731	AA	Standard & Poor's
Corporate convertible bonds	745,400	AA	Standard & Poor's
Corporate bonds	1,874,545	AA-	Standard & Poor's
Corporate convertible bonds	345,263	AA-	Standard & Poor's
Corporate bonds	235,880	A+	Standard & Poor's
Corporate convertible bonds	1,546,109	A+	Standard & Poor's
Corporate bonds	1,601,947	A	Standard & Poor's
Corporate convertible bonds	387,213	A	Standard & Poor's
Corporate bonds	301,105	A-	Standard & Poor's
Corporate convertible bonds	1,390,756	A-	Standard & Poor's
Corporate bonds	396,518	BBB+	Standard & Poor's
Corporate convertible bonds	1,098,400	BBB+	Standard & Poor's
Corporate bonds	263,906	BBB	Standard & Poor's
Corporate convertible bonds	860,969	BBB	Standard & Poor's
Corporate convertible bonds	127,700	BBB-	Standard & Poor's
Corporate convertible bonds	279,837	A1	Moodys
Corporate convertible bonds	357,969	A2	Moodys
Corporate convertible bonds	158,250	A3	Moodys
Corporate convertible bonds	164,281	Aa1	Moodys
Corporate convertible bonds	300,738	Aa3	Moodys
Corporate bonds	198,390	Aaa	Moodys
Corporate convertible bonds	48,800	Baa1	Moodys
Corporate convertible bonds	145,469	Baa2	Moodys
U.S. government agencies	3,140,529	AGY	Standard & Poor's
U.S. govt. mortgage backed sec	2,543,781	AGY	Standard & Poor's
Corporate bonds	24,027,849	Not Rated	n/a
Corporate convertible bonds	648,113	Not Rated	n/a
U.S. government agencies	445,673	Not Rated	n/a
Real estate mortgages	6,000,000	Not Rated	n/a
Short-term investment funds	3,968,141	Not Rated	n/a

City of Southfield

Notes to the Financial Statements

3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments (continued)

SHCBTS – The SFPRS has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U. S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Bond index fund	\$ 3,362,661	AA1	Moody's

Concentration of credit risk:

City – The City places a 25% limit on the amount they may invest in any one issuer. Not more than 5 percent of the city's investments were in a single issuer (other than the U.S. government).

SERS - The SERS places no limit on the amount they may invest in any one issuer. More than 5 percent of the SERS investments are in mortgage backed securities issued by FNMA; these investments are 6.64% of the SERS total investments.

SFPRS – The SFPRS places a 10% limit on the amount they may invest in any one issuer. There is no concentration of credit risk to disclose.

SHCBTS – The SHCBTS places no limit on the amount they may invest in any one issuer. There is no concentration of credit risk to disclose.

Foreign currency risk

Foreign currency risk:

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U. S. dollar value, as a result of changes in foreign currency exchange rates.

City – The City does not have any securities subject to foreign currency risk.

SERS –The SERS does not restrict the amount of investments in foreign. There were no securities subject to foreign currency risk at June 30, 2007.

SFPRS – The SFPRS does not restrict the amount of the investments in foreign currency. The following securities are subject to foreign currency risk:

Security	Foreign Currency	Fair Value
Foreign stocks	UK pound sterling	\$ 14,778,739
Foreign stocks	Canadian dollars	4,761,774
Foreign stocks	Swiss franc	2,703,271
Foreign stocks	Japanese yen	2,124,750
Foreign stocks	Euro	1,902,214
Foreign stocks	Asian region	1,556,856
Foreign stocks	Emerging markets region	1,546,964

City of Southfield

Notes to the Financial Statements

3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments (continued)

SFPRS – (continued)

Security	Foreign Currency	Fair Value
Foreign stocks	Brazilian real	\$ 1,316,223
Foreign stocks	Argentine pesos	851,904
Foreign stocks	Pacific region	623,804
Foreign stocks	International region	383,860
Convertible bonds	Israeli new shekel	260,325
Foreign stocks	Norwegian krone	220,000
Convertible bonds	North American region	159,375
Convertible bonds	Bermuda dollars	146,063
Foreign stocks	Chinese yuan	45,900
Foreign stocks	Singapore dollar	36,771
Foreign stocks	Taiwanese dollar	36,270

SHCBTS – The SHCBTS does not have any securities subject to foreign currency risk.

Securities lending:

SERS – As permitted by state statutes and under the provisions of a securities lending authorization agreement, the SERS lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The SERS's custodial bank manages the securities lending program and receives cash as collateral. Borrowers are required to deliver collateral for each loan equal to not less than 100 percent of the market value of the loaned securities. During the year ended June 30, 2007, only United States currency was received as collateral.

The SERS did not impose any restrictions during the fiscal year on the amount of loans made on its behalf by the custodial bank. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or custodial bank.

The SERS and the borrower maintain the right to terminate all securities lending transactions on demand. On June 30, 2007, the SERS had no credit risk exposure to borrowers. The collateral held and the fair market value of underlying securities on loan for the SERS as of June 30, 2007 was \$15,409,446 and \$14,919,190, respectively.

SFPRS – As permitted by state statutes and under the provisions of a securities lending authorization agreement, the SFPRS lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The SFPRS's custodial bank manages the securities lending program and receives cash as collateral. Borrowers are required to deliver collateral for each loan equal to not less than 100 percent of the market value of the loaned securities. During the year ended June 30, 2007, only United States currency was received as collateral.

City of Southfield

Notes to the Financial Statements

3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments (continued)

The SFPRS did not impose any restrictions during the fiscal year on the amount of loans made on its behalf by the custodial bank. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or custodial bank.

The SFPRS and the borrower maintain the right to terminate all securities lending transactions on demand. On June 30, 2007, the SFPRS had no credit risk exposure to borrowers. The collateral held and the fair market value of underlying securities on loan for the SFPRS as of June 30, 2007 was \$22,352,662 and \$21,835,482, respectively.

Decline in investment values subsequent to year-end

Subsequent to year-end, the fair value of the SERS and SFPRS investment portfolios declined, consistent with the general decline in financial markets. As of the date of the auditor's opinion, the fair value of each of the portfolios was approximately 30% less than the value reported as of June 30, 2007. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

Restricted Assets

The following is the detail of the governmental type activities (includes associated governmental funds) restricted assets at June 30, 2007:

Major governmental fund:

Capital Projects:

Funds held by Oakland County Drain Commissioner to be used for construction and maintenance of drains	\$ <u>671,289</u>
-------------------------------------------------------------------------------------------------------	-------------------

Governmental funds (with associated governmental funds):

Capital Projects:

Funds held from bond proceeds for continuing road construction projects	1,430,939
Funds held for historic site preservation	<u>14,667</u>
	\$ <u>1,445,606</u>

Internal Service:

Funds on deposit held by the insurance carrier related to workers' comp	\$ <u>1,108,958</u>
-------------------------------------------------------------------------	---------------------

Total restricted assets	\$ <u><u>3,225,853</u></u>
--------------------------------	-----------------------------------

City of Southfield
Notes to the Financial Statements
3. DETAILED NOTES ON ALL FUNDS
B. Receivables and Deferred Revenue

The major components of receivables reported on the Balance Sheet as of June 30, 2007 were as follows:

	Special	Accrued	Other			
	assessments	interest	Accounts	Accrued	Delinquent	Total
				revenue	taxes	
Governmental activities:						
General fund		\$ 188,532	\$ 293,568	\$ 3,813,246	\$ 4,414,819	\$ 8,710,165
Capital improvement		21,457				21,457
Other Non-major funds	\$ 1,170,269	455,006	83,389	1,628,832	1,562,471	4,899,967
Total governmental funds	1,170,269	664,995	376,957	5,442,078	5,977,290	13,631,589
Associated governmental activities:						
Internal Service funds		338,698		230		338,928
Total governmental activities	\$ 1,170,269	\$ 1,003,693	\$ 376,957	\$ 5,442,308	\$ 5,977,290	\$ 13,970,517
Component units-governmental:						
Major funds:						
Downtown development authority		\$ 25,525			\$ 426,980	\$ 452,505
Tax increment finance authority		79,468			301,715	381,183
Local development finance authority		44,638			154,698	199,336
Other Non-major funds		12,380	\$ 37,636			50,016
Total component units-governmental	\$ -	\$ 162,011	\$ 37,636	\$ -	\$ 883,393	\$ 1,083,040
Business-type activities:						
Water fund		\$ 96,725	\$ 12,945,429			\$ 13,042,154
Total business-type activities		\$ 96,725	\$ 12,945,429			\$ 13,042,154

The only receivable not expected to be collected within one year is the delinquent taxes.

The major components of deferred revenues reported on the Balance Sheet as of June 30, 2007 were as follows:

	Taxes	State	Special	Taxes	Grants	
	Unavailable	Shared	assessments	Unearned	Unearned	Total
		Unavailable	Unavailable			
Governmental activities:						
General fund	\$ 733,440	\$ 1,648,325		\$ 139,703		\$ 2,521,468
Other Non-major funds	529,354		\$ 1,175,945	100,830	\$ 1,684,475	3,490,604
Total governmental activities	\$ 1,262,794	\$ 1,648,325	\$ 1,175,945	\$ 240,533	\$ 1,684,475	\$ 6,012,072
Component units-governmental:						
Downtown development authority				\$ 5,675		\$ 5,675
Tax increment finance authority				68,282		68,282
Total governmental component units	\$ -	\$ -	\$ -	\$ 73,957	\$ -	\$ 73,957

City of Southfield

Notes to the Financial Statements

3. DETAILED NOTES ON ALL FUNDS

C. Capital assets

A summary of governmental property and equipment at June 30, 2007, follows:

	Balance July 1, 2006	Prior Year Infrastructure	Prior period adjustment	Additions		Disposals & Reduction to CIP	Balance June 30, 2007
GOVERNMENTAL ACTIVITIES							
General							
Capital assets, not being depreciated:							
Land	\$ 10,508,591			182,579	*	(568,359)	\$ 11,259,529
Construction in progress	1,408,969			348,444	*	1,408,969	348,444
Total capital assets not being depreciated	11,917,560	-	-	531,023		840,610	11,607,973
Capital assets, being depreciated							
Land improvements	18,514,838			3,462,040			21,976,878
Building and improvements	62,418,032			449,687			62,867,719
Infrastructure	17,020,370	80,833,771		4,587,456	*	(719,310)	103,160,907
Intangible	1,931,443			99,980			2,031,423
Drain usage rights	1,630,097	9,046,812			*	(121,300)	10,798,209
Equipment	6,683,145			73,621			6,756,766
Total capital assets being depreciated	108,197,925	89,880,583	-	8,672,784		(840,610)	207,591,902
Less accumulated depreciation	29,099,469	37,473,523	1,366,984	6,130,525	(a)		74,070,501
Total general capital assets being depreciated, net	79,098,456	52,407,060	(1,366,984)	2,542,259		(840,610)	133,521,401
Internal Service							
Capital assets, being depreciated							
Intangible	225,884						225,884
Equipment	22,117,690			1,842,847	#	236,826	23,723,711
Total capital assets being depreciated	22,343,574	-	-	1,842,847		236,826	23,949,595
Less accumulated depreciation	17,460,418			1,350,190		216,638	18,593,970
Total internal service capital assets being depreciated, net	4,883,156	-	-	492,657		20,188	5,355,625
Governmental activity capital assets depreciable, net	\$ 83,981,612	52,407,060	(1,366,984)	3,034,916		(820,422)	\$ 138,877,026

(a) Depreciation expense was charged to governmental activities as follows:

	General
General government	\$ 839,292
Public safety	389,526
Highways and streets	2,763,779
Public services	562,405
Culture and recreation	1,575,523
Total	\$ 6,130,525

* Reduction to CIP, increase to capital asset

Disposal

City of Southfield

Notes to the Financial Statements

3. DETAILED NOTES ON ALL FUNDS

C. Capital assets (continued)

A summary of business-type property and equipment at June 30, 2007, follows:

	Balance July 1, 2006	Additions	Disposals	Balance June 30, 2007
Water and Sewer Fund				
Equipment and Vehicles	\$ 770,300	159,015		\$ 929,315
Intangible	1,463,501			1,463,501
Infrastructure	111,839,863	1,017,629		112,857,492
Construction in progress	478,256	1,836,352		2,314,608
Total	<u>114,551,920</u>	<u>3,012,996</u>	<u>-</u>	<u>117,564,916</u>
Less: Accumulated Depreciation	40,174,185	3,979,261		44,153,446
Total Capital Assets	<u>\$ 74,377,735</u>	<u>(966,265)</u>	<u>-</u>	<u>\$ 73,411,470</u>

A summary of discretely presented component unit property and equipment at June 30, 2007, follows:

	Balance July 1, 2006	Additions	Disposals	Balance June 30, 2007
DDA				
Capital assets, not being depreciated:				
Land	\$ -	350,000	-	\$ 350,000
Capital assets, being depreciated				
Equipment and Vehicles	63,421			63,421
Less: Accumulated Depreciation	63,421			63,421
Total Capital Assets being depreciated, net	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>

Construction and other significant commitments

At year end the City's commitments with contractors are as follows:

	Commitments
Street construction	\$ 1,474,048
Land improvements	1,695,936
Technology enhancements	766,775
Water system improvements	690,615
	<u>\$ 4,627,374</u>

City of Southfield

Notes to the Financial Statements

3. DETAILED NOTES ON ALL FUNDS

D. Long-Term Debt and Other Obligations

The city issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both the governmental and business-type activities. For purposes of this exhibit, the portion of debt due within a year is included in the total.

	July 1, 2006	Prior Period Adjustment	Additions	Deductions	June 30, 2007	Short- term	Long-term
GOVERNMENTAL ACTIVITIES							
General obligation debt							
1.625% to 5.375 % Drains-at-large,							
City's share of county debt	\$ 9,744,288			441,770	9,302,518	461,923	8,840,595
4.75% to 5.5% Library Building Authority General							
Obligation Limited Tax	29,230,000			410,000	28,820,000	430,000	28,390,000
2.5% to 4.5% - 2003 General Obligation Limited Tax	4,900,000				4,900,000	215,000	4,685,000
3.25% to 4.0% Michigan Transportation Fund bonds	12,500,000			350,000	12,150,000	710,000	11,440,000
Unamortized discounts on bonds	(96,550)		6,373		(90,177)		(90,177)
Total general obligation debt	56,277,738	-	6,373	1,201,770	55,082,341	1,816,923	53,265,418
Other long-term obligations							
Installment purchase agreement	1,182,193			285,180	897,013	291,097	605,916
Compensated absences	8,021,104	2,228,610	1,001,645	668,349	10,583,011		10,583,011
Michigan tax tribunal contingency	3,137,989				3,137,989		3,137,989
ASSOCIATED GOVERNMENTAL ACTIVITIES							
Other long-term obligations							
Compensated absences	314,621		166,384	29,644	451,361		451,361
Total governmental long-term debt	\$ 68,933,645	2,228,610	1,174,402	2,184,943	70,151,715	2,108,020	68,043,695
BUSINESS-TYPE ACTIVITIES							
General obligation debt							
State of Michigan water supply and sewage							
disposal revenue bonds series 1999							
(LTGO) 2.25 to 2.5 %	\$ 30,163,789			1,685,000	28,478,789	1,735,000	26,743,789
3.05 % to 6.5 % Evergreen/Farmington sewer disposal							
system bonds, City's share of county debt	3,805,949			906,564	2,899,385	1,061,089	1,838,296
Other long-term obligations							
Compensated absences	226,988		124,631	48,934	302,685		302,685
Long-term advances	600,000				600,000		600,000
Total business-type long-term debt	34,796,726	-	124,631	2,640,498	32,280,859	2,796,089	29,484,770
COMPONENT UNIT ACTIVITIES							
Other long-term obligations							
Long-term advances	5,344,484			928,620	4,415,864	51,360	4,364,504
Capital lease	9,978			4,200	5,778	4,200	1,578
Compensated absences	80,754		5,230	50,916	35,068		35,068
Michigan tax tribunal contingency	953,261				953,261		953,261
Total governmental component units							
long-term debt	6,388,477	-	5,230	983,736	5,409,971	55,560	5,354,411
Total debt	\$ 110,118,848	2,228,610	1,304,263	5,809,177	107,842,545	4,959,669	102,882,876

City of Southfield

Notes to the Financial Statements

3. DETAILED NOTES ON ALL FUNDS

D. Long-Term Debt and Other Obligations (continued)

The City has pledged its full faith and credit for the bonded indebtedness of the City of Southfield Building Authority, Southfield Library Building Authority, Tax Increment Finance Authority and Local Development Finance Authority.

The Economic Development Corporation ("EDC") has issued revenue bonds collateralized by a promissory note from certain commercial enterprises receiving the proceeds of the bonds. Since the EDC has assigned its interest in the notes receivable to the trustees of the revenue bonds, and since the revenue bonds are not an obligation of the City, the revenue bonds and related notes receivable have not been reflected in the combined financial statements of the City.

By statute, the City's general obligation and component unit debt in the aggregate is restricted to 10% of the state equalized value of all property within the City. The City's special assessment debt is restricted to 12%. The City currently has no outstanding special assessment debt. For the current year, the state equalized value of the property within the City was \$ 4,305,094,830. The City has issued and outstanding \$55,082,341 of general obligation bonds, subject to a limit of \$430,509,483.

The annual requirements (excluding the other long-term obligations) to pay principal and to pay interest on debt outstanding at June 30, 2007 (in thousands of dollars) are as follows:

	Governmental activities			Business-type Water & Sewer		
	Prin.	Int.	Total	Prin.	Int.	Total
2008	\$ 1,817	\$ 2,339	\$ 4,156	\$ 2,796	\$ 812	\$ 3,608
2009	1,928	2,280	4,208	2,919	721	3,640
2010	2,056	2,211	4,267	2,383	623	3,006
2011	2,187	2,135	4,322	2,011	565	2,576
2012	2,321	2,059	4,380	1,920	516	2,436
2013	2,474	1,975	4,449	1,960	469	2,429
2014	2,631	1,884	4,515	2,015	422	2,437
2015	2,792	1,786	4,578	2,065	373	2,438
2016	2,957	1,673	4,630	2,120	323	2,443
2017	3,125	1,552	4,677	2,170	272	2,442
2018	3,333	1,419	4,752	2,225	220	2,445
2019	3,516	1,287	4,803	2,267	166	2,433
2020	3,709	1,133	4,842	2,215	111	2,326
2021	2,627	974	3,601	1,565	58	1,623
2022	2,699	854	3,553	747	19	766
2023	2,604	729	3,333			
2024	2,526	607	3,133			
2025	1,672	493	2,165			
2026	1,662	410	2,072			
2027	1,650	327	1,977			
2028	1,640	244	1,884			
2029	1,630	162	1,792			
2030	1,620	76	1,696			
Total	\$ 55,176	\$ 28,609	\$ 83,785	\$ 31,378	\$ 5,670	\$ 37,048

City of Southfield

Notes to the Financial Statements

3. DETAILED NOTES ON ALL FUNDS

D. Long-Term Debt and Other Obligations (continued)

Defeased Debt

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the general purpose financial statements. At June 30, 2007, the City's portion of bonds outstanding that is considered defeased approximates \$17,530,000 for governmental activities and \$8,110,000 for component units.

Subsequent Event

Subsequent to year end, Oakland County on behalf of the City issued \$912,130 in general obligation drain refunding bonds with an interest rate ranging from 4.25 percent to 4.375 percent. The proceeds of these bonds were used to advance refund \$883,500 of outstanding general obligation bonds with an interest rate ranging from 4.70 percent to 5.375 percent. The advance refunding will decrease total debt service payments over the next 16 years by approximately \$82,000, which represents an economic gain of approximately \$ 45,704.

E. Reconciliation of the Adopted Budget to Final Presentation

While the City doesn't adopt budgets in accordance with GAAP, the Schedule of Revenues, Expenditures, and changes in Fund Balances-Budget and Actual presented in this CAFR have been modified to meet GAAP standards. The following note reconciles the Council adopted budget with these schedules. The major modifications are derived from transfers, expenditure reimbursements and Fund Balance draws being budgeted as revenues and expenditures.

MAJOR FUNDS

	General Fund	
	Approved Revenues	Approved Expenditures
Council adopted budget	\$ 68,326,785	\$ 68,326,785
Transfers	(79,844)	(577,054)
Reimbursements	(2,428,079)	(2,428,079)
Fund balance draws	(1,310,518)	
Original (as presented)	<u>64,508,344</u>	<u>65,321,652</u>
Approved encumbrances		647,591
Final (as presented)	\$ <u>64,508,344</u>	\$ <u>65,969,243</u>

City of Southfield

Notes to the Financial Statements

3. DETAILED NOTES ON ALL FUNDS

E. Reconciliation of the Adopted Budget to Final Presentation (continued)

NON-MAJOR FUNDS

	Major Street		Local Street			
	Approved Revenues	Approved Expenditures	Approved Revenues	Approved Expenditures		
Council adopted budget	\$ 5,228,486	\$ 5,228,486	\$ 6,282,684	\$ 6,282,684		
Transfers	(1,033,778)		(402,299)			
Reimbursements	(224,496)	(224,496)	(186,421)	(186,421)		
Fund balance draws			(1,050,000)			
Approved encumbrances		2,580,308		649,381		
Final (as presented)	<u>\$ 3,970,212</u>	<u>\$ 7,584,298</u>	<u>\$ 4,643,964</u>	<u>\$ 6,745,644</u>		

	Municipal Street		Parks & Recreation		Cable	
	Approved Revenues	Approved Expenditures	Approved Revenues	Approved Expenditures	Approved Revenues	Approved Expenditures
Council adopted budget	\$ 1,189,091	\$ 1,189,091	\$ 9,237,053	\$ 9,237,053	\$ 819,000	\$ 819,000
Transfers		(1,158,721)		(176,598)		(11,815)
Fund balance draws			(500,000)		(7,000)	
Approved encumbrances				135,293		28,408
Final (as presented)	<u>\$ 1,189,091</u>	<u>\$ 30,370</u>	<u>\$ 8,737,053</u>	<u>\$ 9,195,748</u>	<u>\$ 812,000</u>	<u>\$ 835,593</u>

	CDBG		Section 8		Drug Law	
	Approved Revenues	Approved Expenditures	Approved Revenues	Approved Expenditures	Approved Revenues	Approved Expenditures
Council adopted budget	\$ 531,353	\$ 531,353	\$ 1,097,889	\$ 1,097,889	\$ 369,636	\$ 369,636
Fund balance draws					(117,435)	
Approved encumbrances						32,084
Council adjustments			265,507	265,507		
Final (as presented)	<u>\$ 531,353</u>	<u>\$ 531,353</u>	<u>\$ 1,363,396</u>	<u>\$ 1,363,396</u>	<u>\$ 252,201</u>	<u>\$ 401,720</u>

	Library		Michigan Works		Auto theft	
	Approved Revenues	Approved Expenditures	Approved Revenues	Approved Expenditures	Approved Revenues	Approved Expenditures
Council adopted budget	\$ 8,154,556	\$ 8,154,556	\$ 2,118,689	2,118,689	\$ 254,423	\$ 254,423
Transfers		(1,774,706)		(10,609)	(61,256)	
Approved encumbrances		21,108				
Final (as presented)	<u>\$ 8,154,556</u>	<u>\$ 6,400,958</u>	<u>\$ 2,118,689</u>	<u>\$ 2,108,080</u>	<u>\$ 193,167</u>	<u>\$ 254,423</u>

City of Southfield

Notes to the Financial Statements

3. DETAILED NOTES ON ALL FUNDS

F. Interfund balances and transfers

Interfund receivable and payable balances related to the governmental, associated governmental and business type funds at June 30, 2007 are as follows:

<u>Receivable</u> <u>Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>
GOVERNMENTAL FUNDS			GOVERNMENTAL FUNDS		
Major Funds			Major Funds		
General Fund	Non-Major Funds	\$ 2,903,568	General Fund	Capital Improvement	\$ 124,998
	Internal service	737,047		Non-Major Funds	4,769
	Water and Sewer Fund	597,501		Internal service	5,527,260
	Total General Fund	4,238,116		Total General Fund	5,657,027
Capital Improvement	General Fund	124,998	Capital Improvement	Water and Sewer Fund	14,537
	Non-Major Funds	24,597			
	Internal service	2,159,575			
	Total Capital Improvement	2,309,170		Total Capital Improvement	14,537
Non-Major Funds	General Fund	4,769	Non-Major Funds	General Fund	2,903,568
	Non-Major Funds	971,482		Capital Improvement	24,597
	Water and Sewer Fund	13,281		Non-Major Funds	971,481
				Internal service	1,580,356
				Water and Sewer Fund	378,178
	Total Non-Major	989,532		Total Non-Major funds	5,858,180
TOTAL GOVERNMENTAL FUNDS		\$ 7,536,818	TOTAL GOVERNMENTAL FUNDS		\$ 11,529,744
ASSOCIATED GOVERNMENTAL ACTIVITY			ASSOCIATED GOVERNMENTAL ACTIVITY		
Internal Service Funds	General Fund	5,527,260	Internal Service Funds	General Fund	737,047
	Non-Major Funds	1,580,356		Capital Improvement	2,159,575
	Internal service	51,567		Internal service	51,567
	Water and Sewer Fund	230,407			
	Total Internal Service	\$ 7,389,590		Total Internal Service	\$ 2,948,189
BUSINESS-TYPE FUND			BUSINESS-TYPE FUND		
Water and Sewer Fund	Non-Major Funds	378,178	Water and Sewer Fund	General Fund	597,501
	Capital Improvement	14,537		Non-Major Funds	13,282
	Total Water and Sewer	\$ 392,715		Internal service	230,407
				Total Water and Sewer	\$ 841,190
				Internal balance	\$ 448,475

Notes to the Financial Statements

3. DETAILED NOTES ON ALL FUNDS

F. Interfund balances and transfers (continued)

The above interfund balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. All interfund balances are expected to be collected within one year.

Interfund transfer revenues and expenditures related to the governmental & associated governmental funds at June 30, 2007 are as follows:

	Transfers In:				
	General	Non-major	Internal		Total
Transfers Out:	fund	governmental	Service	Water	Transfers
		funds			in
Governmental activities:					
General fund		\$ 17,644			\$ 17,644
Capital improvement	\$ 500,003	203,079	\$ 2,176,927	\$ 42,882	2,922,891
Other Non-major funds	61,256	5,218,978	295,365	295,000	5,870,599
Total transfers out	\$ 561,259	\$ 5,439,701	\$ 2,472,292	\$ 337,882	\$ 8,811,134

For the most part, interfund transfers occur during the normal course of operations, for instance to fund capital projects.

Advances by the Local Improvement Revolving Fund to other primary government funds and component units are as follows:

PRIMARY GOVERNMENT

Major governmental

Capital Improvement Fund	\$ 4,547,356
--------------------------	--------------

Non-major governmental

Grants Fund	150,000
Special Assessment Construction Fund	2,260,185

Total non-major governmental	\$ 2,410,185
------------------------------	--------------

Proprietary

Water and Sewer Fund	600,000
----------------------	---------

Total primary government	\$ 7,557,541
--------------------------	--------------

COMPONENT UNITS

Governmental

Local Development Finance Authority	\$ 3,935,686
Downtown Development Authority	480,177
Total component units	<u>\$ 4,415,864</u>

Total component units	\$ 4,415,864
-----------------------	--------------

City of Southfield

Notes to the Financial Statements

4. OTHER INFORMATION

A. Fund Balance Designated and Reserved

	June 30, 2007
DESIGNATED	
General Fund	
Subsequent year's expenditures	\$ 900,000
Specific programs	
Capital projects	1,275,000
Dispatch improvements	439,321
Economic development	1,200,000
Economic development/roads	100,000
Emergency clean up	542,764
Equalization reserve	2,917,207
Reserve for future budgetary needs	500,000
Residential program initiatives	200,000
Technological improvements	434,714
Total specific programs	7,609,006
Total general fund	\$ 8,509,006
Non-Major Special Revenue Funds	
Parks and Recreation	
Equalization reserve	\$ 413,661
Bedford Woods (Cell phone tower)	73,125
Handicapped programs	12,818
SMART programs	31,552
Total Parks & Recreation specific programs	531,156
Library	
Equalization reserve	524,061
Capital projects	554,676
Residential program initiatives	29,754
Technological development	133,633
Total Library specific programs	1,242,124
Local Streets	236,321
Cable Television, equipment replacement	250,000
Total special revenue funds	\$ 2,259,601
RESERVED	
General Fund	
Right-of-way funds/Metro Authority	\$ 420,021
Encumbrances	105,020
Non-Major Special Revenue Funds	
Donations and Memorial Trusts	1,484,309
Encumbrances	1,350,455
Debt Service Funds	
Drains at large debt	598,416
Building authority debt	6,010
Special assessment debt	2,249,248
Total debt service	2,853,674
Restricted assets	
Capital Improvement fund	671,289
Non-Major Special Revenue funds	
Road Construction fund	1,430,939
Building Authority Construction fund	14,667
Total Non-Major Special Revenue funds	1,445,606
Total Restricted assets	\$ 2,116,895

City of Southfield

Notes to the Financial Statements

4. OTHER INFORMATION

B. Property Taxes

Property taxes are levied each July 1 on the taxable value of property, as equalized by the State at 50% of estimated market value as of the preceding December 31 and subject to the tax limitations prescribed by state law. The state equalized valuation of real and personal property located in the City, based on the December 31, 2005 valuation, was \$4,305,094,830 and the taxable value was \$3,604,818,967. The City's operating tax rate was 6.6094 mills which is the charter limit. In addition, extra voted and other authorized millage for special operations, pensions, expansion and debt retirement brought the total tax rate for the City to 16.3428 mills.

In 1994, Proposal A/Public Act 415 was approved by Michigan voters. It requires that annual increases in the taxable value of individual properties that remain in the same ownership be limited to the lesser of five percent or the rate of inflation. Properties are adjusted to market value for purposes of property taxation only at the time of sale or transfer. Utilizing a 2006 rate of inflation cap of 3.2%, the City of Southfield's 2006-07 State Equalized Evaluation ("SEV") of \$4,305,094,830 was capped at a Taxable Assessed Valuation ("TAV") of \$3,604,818,967.

Taxes are due July 1 and December 1 (the lien dates) and are collectible through August 31 and February 14, respectively (the collection dates), without penalty. The tax levy is based on a December 31 assessment date. After February 28, all taxes are declared delinquent. Delinquent property taxes are turned over to the County Treasurer who assumes responsibility for their collection and, at the same time reimburses the City for the total amount of delinquent property taxes.

C. Contingencies

Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for employee medical benefit claims. The City participates in the Michigan Municipal Risk Management Authority (MMRMA) risk pool for claims relating to bodily injury, personal injury, property damage to property of others, public officials and law enforcement liability, and statutory Michigan "no fault" or owned automobiles. The City is self-insured for workers compensation claims up to \$500,000 per occurrence. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The MMRMA program is approved and regulated by the Michigan Insurance Bureau and provides coverage of \$15 million per occurrence, with the first \$250,000 self insured retention being the responsibility of the City for all liability claims. For property damage claim coverage, the MMRMA provides combined property coverage of \$200 million, with the City's self insured retention responsibility being as follows;

	City's Self Insured Retention
Vehicle damage	\$1,000 per vehicle for any vehicle with a value greater than \$15,000. Fully responsible for vehicles with a value under \$15,000.
Property and Crime	A maximum of \$11,000 per occurrence.
Sewage System Outflow	\$500,000 per occurrence

City of Southfield

Notes to the Financial Statements

4. OTHER INFORMATION

C. Contingencies (continued)

Under the workers compensation benefit plan, the City is liable for claims up to a maximum amount of \$500,000 per employee occurrence. For the aggregate total of all employees, the amount is based on total payroll for all open claim years. The total aggregate self insurance retention amount would be approximately \$11,591,000 at June 30, 2007 related to these open claim years.

The City estimates the liability for workers compensation and general property and liability claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. The estimates are recorded in the Self-Insurance Internal Service Fund.

Litigation

The City is a defendant to various claims, legal actions and complaints arising in the ordinary course of business. The City denies the allegations and plans a vigorous defense. In the opinion of legal counsel, all such matters as indicated above are adequately covered by insurance, or if not so covered, are without merit or of such kind, or involve such amounts that an unfavorable disposition would not have a material effect on the financial position of the City.

Tax Appeals to the Michigan Tax Tribunal

The City has several outstanding property tax assessment appeals totaling approximately \$255,703,154 in taxable value to the Michigan Tax Tribunal. If unsuccessful with any portion of these appeals, the City's potential loss in tax dollars is \$4,091,250 exclusive of interest and penalties.

D. Pension Trusts

Plan description

The City of Southfield's Act 345 Fire and Police Retirement System ("FPRS") is a single-employer plan consisting of a defined contribution plan and a defined benefit plan. The system covers all sworn firefighters and police officers. Employee contribution rates are determined by bargaining agreement or Act 345.

To be eligible to retire under the provisions of a service retirement, a member must attain at least 20 years of service credit with the Retirement System. The current benefit is calculated using 2.8 percent of final average compensation multiplied by a maximum of 25 years service credit, with applicable reductions based on retirement options.

A lump-sum withdrawal of the accumulated employee contributions and accrued interest can be refunded to a member from the defined contribution plan account at the time of termination or service retirement. A lifetime monthly defined benefit pension is also provided. Members are vested into the defined benefit plan once they attain 10 years of service. A vested deferred pension is provided as long as the member leaves the accumulated contributions and accrued interest with the Retirement System.

The Southfield Employee Retirement System ("SERS") plan is a single-employer defined benefit plan that covers full-time career personnel of the City (other than sworn police officers, firefighters, the City Attorney and the City Administrator, who have an individual retirement plan by contract). Employee contribution rates are determined by bargaining agreements, or the pension ordinance. To be eligible for regular retirement, a member must meet one of the following conditions attain age 57 years with 25 years

City of Southfield

Notes to the Financial Statements

4. OTHER INFORMATION

D. Pension Trusts (continued)

of service; age 65 years with 5 years of service; age 62 years with 20 or more years of service; or members may retire when their age plus years of credited service equals 82. The pension benefit is a percentage (current multiplier) of final average compensation multiplied by the total years of service credit, with applicable reductions based on retirement option selections. The multiplier in effect is determined by bargaining agreements or the pension ordinance.

Employer contribution rates are actuarially determined for both plans. In addition, FPRS and SERS fund post-retirement health care benefits for their retirees. Each retirement system also provides disability, death and vested deferred benefits which have their own specific eligibility requirements, calculation provisions and health insurance options as provided by either FPRS or SERS. Employees are not permitted to receive loans from either plan.

Based on the most recent actuarial valuations of the plans as of June 30, 2006, membership for each plan is as follows:

	Fire and police system	Employee retirement system	Total
Active members			
Vested	163	216	379
Nonvested	87	205	292
Total	250	421	671
Retirees and beneficiaries	247	220	467
Inactive vested members	3	28	31
	<u>500</u>	<u>669</u>	<u>1,169</u>

Assets in both plans represent investments used to fund retirement benefits and post-retirement health care benefits for members of the plans. Retirement investments are subject to a number of restrictions stipulated by state law as to the type, quality and concentration of investments. A separate financial report is not issued for the pension plans.

Actuarial cost method

- 1) Normal cost and the allocation of benefit values between service rendered before and after the valuation date was determined using an individual entry-age actuarial cost method having the following assumptions.
 - The annual normal cost for each individual active member, payable from the date of employment to the date of retirement (or the date of drop, if earlier), is sufficient to accumulate the value of the members benefit at the time of retirement
 - Each annual normal cost is a constant percentage of the members year-by-year projected covered pay.
- 2) Unfunded actuarial accrued liabilities were amortized by level (principal and interest combined) percent-of-payroll contributions over a period of 28 years for SERS. Unfunded actuarial accrued liabilities (the portion of total liabilities not covered by present assets or expected future normal cost contributions) were amortized by level percent-of-payroll contributions. Interest on the full funding credit was used to offset normal cost contributions for FPRS.

City of Southfield

Notes to the Financial Statements

4. OTHER INFORMATION

D. Pension Trusts (continued)

Reserves

As of June 30, 2007, the plans legally required reserves have been fully funded. Of the plans net assets, \$0 of the SERS and \$12,718,204 of the FPRS net assets have been reserved to pay for retiree health insurance.

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to the SERS and FPRS for the current year are as follows:

		SERS		FPRS
Annual required contribution/pension cost	\$	2,962,888	\$	3,318,326
Contribution made		<u>(2,962,888)</u>		<u>(3,318,326)</u>
Increase (decrease) in net pension obligation		-		-

Contributions required and contributions made

The City's funding policy provides for periodic employer and employee contributions to both plans expressed as percentages of annual-covered payroll which are designed to accumulate sufficient assets to pay benefits when due. The normal cost and actuarial accrued liability are determined using an entry-age actuarial funding method. Actuarial assumptions include an assumed rate of inflation of 4.5%, an assumed investment income rate of 8% for SERS and a 5 year smooth market. Actuarial assumptions include an assumed rate of inflation of 4.25%, an assumed investment income rate of 7.75% for FPRS and a 5 year smoothed market. If the number of active members remains constant, then the total active member payroll will increase 4.5% annually for inflation, with an additional increase of one to 5.8% for seniority/merit in SERS and 4.25% annually for inflation with an additional 0 to 10% for seniority/merit in FPRS. Each annual normal cost is a constant percentage of the members' year by year projected covered pay. The funding credit and unfunded actuarial accrued liabilities for SERS are amortized as a level percent of payroll over a period of 27 years. The aggregate unfunded actuarial accrued liability/full funding credit for the FPRS is not amortized. The interest on the full funding credit offsets normal cost contributions.

Trend information

The following three year trend information presented below for both pension plans discloses annual pension benefit costs.

Annual pension benefit costs:

		2007		2006		2005
SERS	\$	5,409,576	\$	5,576,895	\$	4,496,822
FPRS		12,706,748		12,681,112		13,422,983

City of Southfield

Notes to the Financial Statements

4. OTHER INFORMATION

D. Pension Trusts (continued)

The following three year trend information presented below for both pension plans discloses annual pension contributions.

Annual pension
contributions:

	2007	2006	2005
EMPLOYER SERS	\$ 2,962,888	\$ 2,575,412	\$ 1,606,922
EMPLOYEE SERS	-	1,789	4,973
EMPLOYER FPRS	3,318,326	3,559,734	3,731,299
EMPLOYEE FPRS	816,954	844,273	800,169

Retiree Health Care

The City's two retirement plans contain designated funds for retiree health insurance. The City-sponsored health benefit plan is administered by the City in accordance with provisions of the bargaining agreements and City Council resolutions.

In 2001, the City Council adopted an ordinance which established the Retiree Health Care Benefits Plan and Trust for the purpose of pre-funding for retiree health care expenses. The Plan and Trust taken as a whole constitutes a voluntary employees beneficiary association (VEBA) under Section 501(c) (9) of the

Internal Revenue Code of 1986, as amended. The VEBA plan, as it is commonly known, is administered by an 11 member board, consisting of the five (5) members of the Fire and Police Retirement System Board, the three (3) members of the Administrative Civil Service Commission, two (2) elected SERS active members, and the City Administrator.

The actuary calculates an employer contribution rate for the VEBA, based on current costs, predicted health inflation and retiree mortality expectation. All retiree health care contributions are now made to the VEBA plan. Retiree health care expenses will be paid from the previously-designated monies within the FPRS and SERS pension funds until those sources are exhausted. Thereafter, the expenses will be paid from the VEBA.

Since 1987, health insurance premiums for retirees of the Fire and Police Retirement System are fully paid by the City for both the member and his/her spouse. For members retired after July 1, 1992, fully paid health insurance also includes the coverage of dependents in addition to the member's spouse.

As of July 1, 2002, retirees of the Southfield Employee Retirement System pay \$10 per month for single health insurance coverage, and \$20 per month for the member plus spouse, unless otherwise provided in the collective bargaining agreement.

E. Other Post-employment Benefits

Plan description

The City provides retiree health care benefits to eligible employees and their spouses through the City of Southfield Retiree Health Care Benefits Plan and Trust. Benefits are provided to public safety and general employees. Currently, the plan has 1,024 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits).

City of Southfield

Notes to the Financial Statements

4. OTHER INFORMATION

E. Other Post-employment Benefits (continued)

This is a single employer defined benefit plan administered by the City of Southfield Retiree Health Care Benefits Plan and Trust. The benefits are provided under collective bargaining agreements or other legal authority for providing benefits. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the Plan through employer contributions.

Funding policy

A contribution of 2 percent of biweekly pay is required of general employees, excluding Public Safety Technicians, Public Safety Supervisors and sworn Police and Fire whose collective bargaining agreements have not been settled. Retiree health care costs are recognized on a “pay-as-you-go” basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2007, the SERS and Fire and Police Pension Trusts payments for post-employment health benefit premiums of \$830,989 and \$2,402,429 respectively. The City contributed \$3,830,938 into a pre-funded retiree health care fund, which is reported in this financial statement as a Pension and Other employee Benefit Trust Fund type.

The funding progress of the plan as of the most recent valuation date is as follows:

Valuation as of June 30, 2007:	SERS	FPRS	Total
Actuarial value of assets	\$ 4,972,240	\$ 32,159,466	\$ 37,131,706
Actuarial accrued liability	\$ 62,257,843	\$ 106,647,105	\$ 168,904,948
Unfunded AAL	\$ 57,285,603	74,487,639	\$ 131,773,242
Funded ratio	7.99%	30.16%	21.98%
Annual covered payroll	\$ 20,754,738	\$ 21,121,085	\$ 41,875,823
Ratio of UAAL to covered payroll	276.01%	352.67%	314.68%

Actuarial methods and assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to

City of Southfield

Notes to the Financial Statements

4. OTHER INFORMATION

E. Other Post-employment Benefits (continued)

reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2007, actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 7 percent investment rate of return (net of expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 11 percent initially, reduced by decrements to an ultimate rate of 4.25 percent in 2016. A wage inflation rate of 4.25 percent is assumed for Fire and Police; while the general employees' is assumed to be 4.5 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period is thirty years.

Upcoming Reporting Change

The Governmental Accounting Standards Board has recently released Statement Number 45, Accounting and Reporting by Employers for Post-employment Benefits Other Than Pensions. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" post-employment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2008.

F. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

In accordance with GASB Statement No. 32, "Accounting and financial reporting for Internal Revenue Code Section 457 Deferred Compensation Plans", the City has removed the plans assets from the financial statements.

G. Prior period Adjustments

Three prior period adjustments were necessary to correct beginning balances. The largest adjustment resulted in a GASB 34 requirement of the City recording infrastructure. The adjustment net of accumulated depreciation is \$52,407,060. In recognizing accrued compensated absences, the City under estimated its liability by not including an accrual for benefits. The adjustment is \$2,228,610. An error in the City's financial system software was detected while calculating depreciation expense for fiscal year ending 2007. The depreciation expense was underestimated in the amount of \$1,366,984. The total net change to the beginning balance of net assets for 2007 is an increase \$48,811,466.

(This page left intentionally blank.)

City of Southfield

Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - General Fund For the Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	\$ 41,781,489	\$ 41,781,489	\$ 41,670,062	\$ (111,427)
Charges for services	3,085,013	3,085,013	3,201,098	116,085
Sanitation	3,310,648	3,310,648	3,288,850	(21,798)
Licenses and Permits	2,416,890	2,416,890	2,266,707	(150,183)
Fines and forfeitures	4,384,911	4,384,911	4,230,378	(154,533)
Intergovernmental:				
Federal	152,179	152,179	72,452	(79,727)
State	7,658,253	7,658,253	5,891,365	(1,766,888)
Other	546,811	546,811	546,811	-
Investment earnings	500,000	500,000	1,621,828	1,121,828
Other	672,150	672,150	1,042,040	369,890
Total revenues	64,508,344	64,508,344	63,831,591	(676,753)
EXPENDITURES				
General government:				
Council	163,477	163,477	147,255	16,222
Mayor	207,887	207,887	205,526	2,361
Administration	300,232	300,232	253,795	46,437
Legal	932,317	935,382	971,808	(36,426)
Clerk's	1,028,751	1,028,751	1,027,463	1,288
Human Resources	1,163,101	1,173,101	1,147,578	25,523
Finance/OMB	1,111,601	1,111,601	1,027,067	84,534
Other - unclassified	5,873,585	5,994,064	5,365,335	628,729
Total general government	10,780,951	10,914,495	10,145,827	768,668
Public Safety:				
Police	21,798,347	21,806,776	20,838,032	968,744
Fire	13,736,953	13,896,462	13,801,176	95,286
Building and safety engineering	2,544,771	2,552,380	2,535,254	17,126
46th Michigan District Court	3,537,238	3,555,650	3,478,348	77,302
Civilian support services	2,748,625	2,755,481	2,536,059	219,422
Total public safety	44,365,934	44,566,749	43,188,869	1,377,880
Public Services:				
Community development	175,494	175,494	172,454	3,040
Sanitation	3,341,788	3,341,788	3,135,037	206,751
Road service administration	1,021,253	1,021,436	1,072,537	(51,101)
Total public services	4,538,535	4,538,718	4,380,028	158,690
Social Services	389,905	389,905	389,470	435
Other:				
Insurance and bonds	705,454	705,454	700,088	5,366
Unallocated costs	4,448,787	4,761,836	3,685,933	1,075,903
Total other	5,154,241	5,467,290	4,386,021	1,081,269
Debt				
Interest and fiscal charges	92,086	92,086	92,086	-
Total expenditures	65,321,652	65,969,243	62,582,301	3,386,942
Excess (deficiency) of revenues over (under) expenditures	(813,308)	(1,460,899)	1,249,290	2,710,189
OTHER FINANCING SOURCES (USES)				
Transfers in	79,844	79,844	17,644	(62,200)
Transfers out	(577,054)	(577,054)	(561,259)	15,795
Total other financing sources (uses)	(497,210)	(497,210)	(543,615)	(46,405)
Net change in fund balances	(1,310,518)	(1,958,109)	705,675	2,663,784
Fund balances - beginning	14,275,101	14,275,101	14,275,101	-
Fund balances - ending	\$ 12,964,583	\$ 12,316,992	\$ 14,980,776	\$ 2,663,784

The notes to the financial statements are an integral part of this statement.

City of Southfield
Required Supplementary Information
Schedule of Funding Progress
Six-Year Historical Trend Information

Fire and Police Retirement System Pension Benefits

(dollar amounts in millions)

Valuation date June 30,	Actuarial value of assets (a)	Actuarial accrued liability ("AAL") (b)	Unfunded actuarial accrued liability (b-a)	Funded ratio (a/b)		Covered payroll	Ratio of UAAL to covered payroll
2006	\$ 184.0	\$ 178.2	\$ (5.8)	103.3	% \$	19.6	-
2005	178.0	172.3	(5.7)	103.3		19.6	-
2004	177.4	170.2	(7.2)	104.2		20.4	-
2003	177.3	164.3	(13.0)	107.9		19.6	-
2002	183.6	150.8	(32.8)	121.8		19.1	-
2001	186.5	146.4	(40.1)	127.4		18.4	-

Employees Retirement System Pension Benefits

(dollar amounts in millions)

Valuation date June 30,	Actuarial value of assets (a)	Actuarial accrued liability ("AAL") (b)	Unfunded actuarial accrued liability (b-a)	Funded ratio (a/b)		Covered payroll	Ratio of UAAL to covered payroll
2006	\$ 91.7	\$ 103.0	\$ 11.3	89.0	% \$	19.9	52.8%
2005	92.0	102.5	10.5	89.7		19.9	52.9%
2004	91.1	96.6	5.5	94.3		21.4	25.7%
2003	90.5	80.9	(9.6)	111.8		20.3	-
2002	90.6	70.0	(20.6)	129.0		19.3	-
2001	90.5	62.5	(28.0)	145.0		18.1	-

City of Southfield
Required Supplementary Information
Schedule of Funding Progress
(continued)

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2007, the latest actuarial valuation, follows:

	Employee Retirement	Fire and Police
Actuarial Cost Method		Individual Entry Age
All members excluding Non-Union	Entry Age Normal	
Non-Union members	Aggregate	
Amortization Method	Level percent of payroll	Level percent of payroll
Remaining amortization period	27 years (closed)	20 years (open)
Asset valuation method	5-year smoothed market	4-year smoothed market
Actuarial assumption		
Investment rate of return	8%	7.75%
Wage inflation	4.5%	4.25%
Projected salary increases*	5.5% - 10.3%	4.25% - 14.25%
Post-retirement benefit increases	Ad-hoc as provided by ordinance	None

* Includes wage and step increases

City of Southfield
Required Supplementary Information
Schedule of Employer Contributions
Six-Year Historical Trend Information

Fire and police retirement system pension benefits

Valuation Year ended June 30,	Fiscal year ended June 30,	Contribution rates as a percent of actual payroll	Computed dollar contribution based on actual payroll	Percent contributed	
2005	2007	16.55%	\$ 3,318,326	100.00	%
2004	2006	17.57	3,559,734	100.00	
2003	2005	17.55	3,731,299	100.00	
2002	2004	15.39	2,587,659	100.00	
2001	2003	14.20	2,428,823	100.00	
2000	2002	13.86	2,474,840	100.00	

Employee retirement system pension benefit

Valuation Year ended June 30,	Fiscal year ended June 30,	Contribution rates as a percent of actual payroll	Computed dollar contribution based on actual payroll	Percent contributed	
2005	2007	14.56%	\$ 2,962,888	100.00	%
2004	2006	13.03	2,575,412	100.00	
2003	2005	6.78	1,606,922	100.00	
2002	2004	1.31	365,209	100.00	
2001	2003	-	-	N/A *	
2000	2002	-	-	N/A *	

* No contribution required because the fund was overfunded.

City of Southfield
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total
ASSETS				
Cash and cash equivalents	\$ 6,358,050	\$ 1,576,615	\$ 821,696	\$ 8,756,361
Investments	19,296,339	1,214,827	2,701,900	23,213,066
Prepays	85,980			85,980
Receivables:				
Special Assessments		1,039,575	136,370	1,175,945
Other	3,518,099	153,474	52,449	3,724,022
Restricted assets:				
Cash and cash equivalents			1,445,606	1,445,606
Due from other funds	745,895	95,159	148,478	989,532
Due from other governmental units	788,341			788,341
Total assets	\$ 30,792,704	\$ 4,079,650	\$ 5,306,499	\$ 40,178,853
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	801,261	101	185,590	986,952
Accrued payroll	110,799			110,799
Due to other funds	5,242,107	170,228	445,845	5,858,180
Deferred revenue	2,298,587	1,055,647	136,370	3,490,604
Other short-term liabilities	237,227			237,227
Advances from local improvement revolving fund	150,000		2,260,185	2,410,185
Total liabilities	8,839,981	1,225,976	3,027,990	13,093,947
Fund balance:				
Reserved for:				
Encumbrances	1,350,455			1,350,455
Specific programs	1,484,309			1,484,309
Debt service		2,853,674		2,853,674
Restricted assets			1,445,606	1,445,606
Unreserved,				
Designated for:				
Specific programs	2,259,601			2,259,601
Undesignated	16,858,358		832,903	17,691,261
Total fund balances	21,952,723	2,853,674	2,278,509	27,084,906
Total liabilities and fund balances	\$ 30,792,704	\$ 4,079,650	\$ 5,306,499	\$ 40,178,853

The notes to the financial statements are an integral part of this statement.

City of Southfield

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2007

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total
REVENUES				
Taxes	\$ 17,529,695	\$ 707,000		\$ 18,236,695
Special assessments		293,400	\$ 97,934	391,334
Charges for services	2,959,918			2,959,918
Fines and forfeitures	445,910			445,910
Franchise fees	933,968			933,968
Intergovernmental revenue:				
Federal	4,567,835			4,567,835
State	5,399,696			5,399,696
Other			324,335	324,335
Contributions	200,255			200,255
Investment earnings	1,597,201	98,692	290,953	1,986,846
Other	858,779	64,796	18,965	942,540
Total revenues	<u>34,493,257</u>	<u>1,163,888</u>	<u>732,187</u>	<u>36,389,332</u>
EXPENDITURES				
Current:				
Public safety	629,874			629,874
Highways and streets	11,224,023			11,224,023
Social services	3,236,674			3,236,674
Culture and recreation	14,747,702			14,747,702
Community improvement	983,888			983,888
Other	218,191	5,463	1,281,764	1,505,418
Debt service:				
Principal retirement	416,577	785,193		1,201,770
Interest and fiscal charges	579,902	1,676,171	63,894	2,319,967
Total expenditures	<u>32,036,831</u>	<u>2,466,827</u>	<u>1,345,658</u>	<u>35,849,316</u>
Excess (deficiency) of revenues over (under) expenditures	2,456,426	(1,302,939)	(613,471)	540,016
OTHER FINANCING SOURCES (USES)				
Transfers in	3,721,696	1,853,538	295,365	5,870,599
Transfers out	(3,132,949)		(2,306,752)	(5,439,701)
Total other financing sources (uses)	<u>588,747</u>	<u>1,853,538</u>	<u>(2,011,387)</u>	<u>430,898</u>
Net change in fund balances	3,045,173	550,599	(2,624,858)	970,914
Fund balances - beginning	<u>18,907,550</u>	<u>2,303,075</u>	<u>4,903,367</u>	<u>26,113,992</u>
Fund balances - ending	<u>\$ 21,952,723</u>	<u>\$ 2,853,674</u>	<u>\$ 2,278,509</u>	<u>\$ 27,084,906</u>

The notes to the financial statements are an integral part of this statement.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

These funds account for the proceeds of specific revenue sources used to finance projects or activities as required by law or contractual agreement. The following funds are currently established:

MAJOR STREET FUND

Michigan's Act 51 of 1933, as amended, allocates gas and weight taxes to build and maintain roads, roadsides, and storm sewers. Snow removal and traffic control are also supported by this funding source. Major Streets may include federal and state trunk lines maintained by the County and other relatively heavily traversed roads ("mile" roads) maintained by the City.

LOCAL STREET FUND

Michigan's Act 51 of 1933, as amended, allocates gas and weight taxes to build and maintain roads, roadsides, and storm sewers. Snow removal and traffic control are also supported by this funding source. Local Streets, which primarily service the residential community, are maintained by the City through a one-mill City tax levy for residential street maintenance and to a lesser degree by Act 51 funding.

MUNICIPAL STREET FUND

The Municipal Street fund was established to account for activities of the road appearance program, which was initiated in 1989-90 to provide a uniform standard for all roadside mowing, litter pick-up, street sweeping and catch basin cleaning on all roads throughout the City. It is separately funded through Public Act 298 of 1917.

PARKS AND RECREATION FUND

Specific property taxes, grants and user fees are used to operate the ice arena, swimming pool, and activities at parks, playgrounds and other facilities. Golf course activities, which include the Evergreen Hills Golf Course and Pro Shop, Beech Woods Golf Course, Pro Shop and Driving Range, are included in the Parks & Recreation Fund.

CABLE TELEVISION FUND

The Cable Television Fund was established to account for fees received under provisions of the cable television franchise agreement. These fees are used for local programming and certain other purposes.

BLOCK GRANT FUND

Under the Housing and Community Development Act of 1974, as amended, federal grants are targeted for neighborhood beautification, improvement and revitalization and other community improvements; these activities benefit low and moderate income persons in targeted areas as defined by the Department of Housing and Urban Development (HUD).

SECTION 8 HOUSING FUND

Section 8 Housing Fund was established to account for rent subsidies provided by the U.S. Department of Housing and Urban Development which are made available to eligible persons.

DRUG LAW ENFORCEMENT FUND

The Drug Law Enforcement fund was established pursuant to Public Act 135 of 1985. As provided by Article 7 of this Act, property associated with controlled substances may be seized and the proceeds from its sale used to enhance law enforcement related to controlled substances.

SPECIAL REVENUE FUNDS
(continued)

LOCAL LAW ENFORCEMENT BLOCK GRANT FUND

The Grant was authorized under the Omnibus Fiscal Year 1997 Appropriation Act (Public Law 104-208) for the purposes of reducing crime and improving public safety.

GRANTS FUND

This fund accounts for individual grants received from Federal, State or other sources.

LIBRARY FUND

Specific property taxes, grants, user fees, state aide and related revenues are used to purchase books and computers, and to operate programs in the Civic Center and at the John Grace Community Center. The newly built Southfield Public Library was opened June 15, 2003.

MICHIGAN WORKS GRANTS FUND

The Michigan Works Grants are funded by the Michigan Department of Career Development and the Oakland County Workforce Board and are administered by the Southfield Career Center.

AUTO THEFT GRANT FUND

The Auto Theft Grant fund is a State funded program designed to assist local governments in auto theft investigation and prevention.

DONATIONS AND MEMORIAL TRUSTS

This fund accounts for endowments, restricted donations and contributions in memory of City employees and City residents.

City of Southfield
Combining Balance Sheet
Nonmajor Governmental Funds
Special Revenue Funds
June 30, 2007

	Major Street Fund	Local Street Fund	Municipal Street Fund	Parks and Recreation Fund	Cable Television Fund	Block Grant Fund	Section 8 Housing Fund
ASSETS							
Cash and cash equivalents	\$ 682,249	\$ 197,599	\$ 444,352	\$ 707,996	\$ 180,838	\$ 953,791	\$ 1,530,949
Investments	2,839,677	6,106,500	187,306	3,874,708	255,777		
Receivables, net	713,477	593,002	112,925	780,762	266,894	102,202	952
Prepays	1,525	1,926		12,923			
Due from other funds	341,509	111,896		152,473	4,750		
Total assets	<u>\$ 4,578,437</u>	<u>\$ 7,010,923</u>	<u>\$ 744,583</u>	<u>\$ 5,528,862</u>	<u>\$ 708,259</u>	<u>\$ 1,055,993</u>	<u>\$ 1,531,901</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	95,455	290,536	12,386	149,010	14,652	27,957	
Accrued payroll				82,227	2,153		
Due to other funds	871,449	1,148,446	600,994	924,701	72,249	321,697	10,853
Deferred revenue		84,402	52,861	210,463		209,653	1,449,306
Other short-term liabilities				46,033		189,694	
Total liabilities	<u>966,904</u>	<u>1,523,384</u>	<u>666,241</u>	<u>1,412,434</u>	<u>89,054</u>	<u>749,001</u>	<u>1,460,159</u>
Fund balance:							
Reserved for:							
Encumbrances	138,401	1,121,278		72,005	1,659		
Unreserved,							
Designated for:							
Specific programs		236,321		531,156	250,000		
Undesignated	3,473,132	4,129,940	78,342	3,513,267	367,546	306,992	71,742
Total fund balances	<u>3,611,533</u>	<u>5,487,539</u>	<u>78,342</u>	<u>4,116,428</u>	<u>619,205</u>	<u>306,992</u>	<u>71,742</u>
Total liabilities							
and fund balances	<u>\$ 4,578,437</u>	<u>\$ 7,010,923</u>	<u>\$ 744,583</u>	<u>\$ 5,528,862</u>	<u>\$ 708,259</u>	<u>\$ 1,055,993</u>	<u>\$ 1,531,901</u>

The notes to the financial statements are an integral part of this statement.

City of Southfield
Combining Balance Sheet
Nonmajor Governmental Funds
Special Revenue Funds
June 30, 2007

	Drug Law Enforcement Fund	Local Law Enforcement Block Grant Fund	Grants Fund	Library Fund	Michigan Works Grants Fund	Auto Theft Grant Fund	Donations and Memorial Trusts	Total
ASSETS								
Cash and cash equivalents	\$ 931,997	\$ 41,490	\$ 332,694	\$ 98,971	\$ 52,587	\$ 71,653	\$ 130,884	\$ 6,358,050
Investments				4,686,401			1,345,970	19,296,339
Receivables, net	14,047	169	4,703	861,801	1,442	45,496	20,227	3,518,099
Prepays	1,925			67,481			200	85,980
Due from other funds		2,049		131,939			1,279	745,895
Due from other governmental units					788,341			788,341
Total assets	\$ 947,969	\$ 43,708	\$ 337,397	\$ 5,846,593	\$ 842,370	\$ 117,149	\$ 1,498,560	\$ 30,792,704
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	32,465	3,561		69,460	102,140		3,639	801,261
Accrued payroll				12,993	12,886		540	110,799
Due to other funds	70,157		20,650	559,481	569,691	61,667	10,072	5,242,107
Deferred revenue		25,515		266,387				2,298,587
Other short-term liabilities	1,500							237,227
Advances from local improvement revolving fund			150,000					150,000
Total liabilities	104,122	29,076	170,650	908,321	684,717	61,667	14,251	8,839,981
Fund balance:								
Reserved for:								
Encumbrances	11,103			3,976	2,033			1,350,455
Specific programs							1,484,309	1,484,309
Unreserved,								
Designated for:								
Specific programs				1,242,124				2,259,601
Undesignated	832,744	14,632	166,747	3,692,172	155,620	55,482		16,858,358
Total fund balances	843,847	14,632	166,747	4,938,272	157,653	55,482	1,484,309	21,952,723
Total liabilities and fund balances	\$ 947,969	\$ 43,708	\$ 337,397	\$ 5,846,593	\$ 842,370	\$ 117,149	\$ 1,498,560	\$ 30,792,704

The notes to the financial statements are an integral part of this statement.

(continued)

City of Southfield
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Special Revenue Funds
For the Year Ended June 30, 2007

	Major Street Fund	Local Street Fund	Municipal Street Fund	Parks and Recreation Fund	Cable Television Fund	Block Grant Fund	Section 8 Housing Fund
REVENUES							
Taxes		\$ 3,292,642	\$ 1,172,230	\$ 5,763,201			
Charges for services				2,434,175			
Franchise fees					\$ 933,968		
Intergovernmental revenue:							
Federal						\$ 544,050	\$ 1,215,736
State	\$ 3,973,034	1,193,147					
Investment earnings	311,942	377,388	51,934	279,042	22,756	32,924	11,328
Other	15,010	15,338		247,337	31,650	546,355	
Total revenues	4,299,986	4,878,515	1,224,164	8,723,755	988,374	1,123,329	1,227,064
EXPENDITURES							
Current:							
Public safety							
Highways and streets	5,838,845	5,366,523	18,655				
Social services							1,215,736
Culture and recreation				7,806,957	806,987		
Community improvement						983,888	
Debt service:							
Principal retirement	350,000	66,577					
Interest and fiscal charges	463,038	56,977		59,887			
Total expenditures	6,651,883	5,490,077	18,655	7,866,844	806,987	983,888	1,215,736
Excess (deficiency) of revenues over (under) expenditures	(2,351,897)	(611,562)	1,205,509	856,911	181,387	139,441	11,328
OTHER FINANCING SOURCES (USES)							
Transfers in	3,258,141	402,299					
Transfers out			(1,158,721)	(176,598)	(11,815)		
Total other financing sources (uses)	3,258,141	402,299	(1,158,721)	(176,598)	(11,815)	-	-
Net change in fund balances	906,244	(209,263)	46,788	680,313	169,572	139,441	11,328
Fund balances - beginning	2,705,289	5,696,802	31,554	3,436,115	449,633	167,551	60,414
Fund balances - ending	<u>\$ 3,611,533</u>	<u>\$ 5,487,539</u>	<u>\$ 78,342</u>	<u>\$ 4,116,428</u>	<u>\$ 619,205</u>	<u>\$ 306,992</u>	<u>\$ 71,742</u>

The notes to the financial statements are an integral part of this statement.

City of Southfield
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Special Revenue Funds
For the Year Ended June 30, 2007

	Drug Law Enforcement Fund	Local Law Enforcement Block Grant Fund	Grants Fund	Library Fund	Michigan Works Grants Fund	Auto Theft Grant Fund	Donations and Memorial Trusts	Total
REVENUES								
Taxes				\$ 7,301,622				\$ 17,529,695
Charges for services				525,743				2,959,918
Fines and forfeitures	\$ 445,910							445,910
Franchise fees								933,968
Intergovernmental:								
Federal		\$ 62,101	\$ 49,104		\$ 2,696,844			4,567,835
State				65,237		\$ 168,278		5,399,696
Contributions	12,000						\$ 188,255	200,255
Investment earnings	52,552	1,533	10,643	353,311	16,607	2,681	72,560	1,597,201
Other				3,089				858,779
Total revenues	510,462	63,634	59,747	8,249,002	2,713,451	170,959	260,815	34,493,257
EXPENDITURES								
Current:								
Public safety	314,771	49,049	22,812			243,242		629,874
Highways and streets								11,224,023
Social services					2,020,938			3,236,674
Culture and recreation				5,959,423			174,335	14,747,702
Community improvement								983,888
Other					218,191			218,191
Debt service:								
Principal retirement								416,577
Interest and fiscal charges								579,902
Total expenditures	314,771	49,049	22,812	5,959,423	2,239,129	243,242	174,335	32,036,831
Excess (deficiency) of revenues over (under) expenditures	195,691	14,585	36,935	2,289,579	474,322	(72,283)	86,480	2,456,426
OTHER FINANCING SOURCES (USES)								
Transfers in						61,256		3,721,696
Transfers out				(1,775,206)	(10,609)			(3,132,949)
Total other financing sources (uses)	-	-	-	(1,775,206)	(10,609)	61,256	-	588,747
Net change in fund balances	195,691	14,585	36,935	514,373	463,713	(11,027)	86,480	3,045,173
Fund balances - beginning	648,156	47	129,812	4,423,899	(306,060)	66,509	1,397,829	18,907,550
Fund balances - ending	<u>\$ 843,847</u>	<u>\$ 14,632</u>	<u>\$ 166,747</u>	<u>\$ 4,938,272</u>	<u>\$ 157,653</u>	<u>\$ 55,482</u>	<u>\$ 1,484,309</u>	<u>\$ 21,952,723</u>

The notes to the financial statements are an integral part of this statement.

(continued)

City of Southfield

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Final Budget and Actual - Major Street Fund

For the Year Ended June 30, 2007

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Intergovernmental:			
State	\$ 3,868,856	\$ 3,973,034	\$ 104,178
Other	91,356	15,010	(76,346)
Investment earnings	10,000	311,942	301,942
Total revenues	<u>3,970,212</u>	<u>4,299,986</u>	<u>329,774</u>
EXPENDITURES			
Highways and streets:			
Administration	235,524	221,236	14,288
Road construction	2,908,421	2,444,557	463,864
Road maintenance	1,234,889	1,182,268	52,621
Traffic service	675,590	636,973	38,617
Snow removal	662,729	493,469	169,260
Appearance	1,054,107	860,342	193,765
Debt service:			
Principal	350,000	350,000	-
Interest and fiscal charges	463,038	463,038	-
Total expenditures	<u>7,584,298</u>	<u>6,651,883</u>	<u>932,415</u>
Excess (deficiency) of revenues over (under) expenditures	(3,614,086)	(2,351,897)	1,262,189
OTHER FINANCING SOURCES			
Transfers in	<u>3,258,141</u>	<u>3,258,141</u>	<u>-</u>
Net change in fund balances	(355,945)	906,244	1,262,189
Fund balances - beginning	<u>2,705,289</u>	<u>2,705,289</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,349,344</u>	<u>\$ 3,611,533</u>	<u>\$ 1,262,189</u>

The notes to the financial statements are an integral part of this statement.

City of Southfield

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Final Budget and Actual - Local Street Fund

For the Year Ended June 30, 2007

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Taxes	\$ 3,339,786	\$ 3,292,642	\$ (47,144)
Intergovernmental:			
State	1,275,178	1,193,147	(82,031)
Investment earnings	10,000	377,388	367,388
Other	19,000	15,338	(3,662)
Total revenues	<u>4,643,964</u>	<u>4,878,515</u>	<u>234,551</u>
EXPENDITURES			
Highways and streets:			
Administration	290,972	263,433	27,539
Road construction	3,506,074	2,491,342	1,014,732
Road maintenance	1,623,137	1,777,679	(154,542)
Traffic service	228,109	119,314	108,795
Snow removal	507,600	256,501	251,099
Appearance	466,198	458,254	7,944
Debt service:			
Principal retirement	66,577	66,577	-
Interest and fiscal charges	56,977	56,977	-
Total expenditures	<u>6,745,644</u>	<u>5,490,077</u>	<u>1,255,567</u>
Excess (deficiency) of revenues over (under) expenditures	(2,101,680)	(611,562)	1,490,118
OTHER FINANCING SOURCES			
Transfers in	<u>402,299</u>	<u>402,299</u>	<u>-</u>
Net change in fund balances	(1,699,381)	(209,263)	1,490,118
Fund balances - beginning	<u>5,696,802</u>	<u>5,696,802</u>	<u>-</u>
Fund balances - ending	<u>\$ 3,997,421</u>	<u>\$ 5,487,539</u>	<u>\$ 1,490,118</u>

The notes to the financial statements are an integral part of this statement.

City of Southfield

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Final Budget and Actual - Municipal Street Fund

For the Year Ended June 30, 2007

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Taxes	\$ 1,189,091	\$ 1,172,230	\$ (16,861)
Investment earnings		51,934	51,934
Total revenues	<u>1,189,091</u>	<u>1,224,164</u>	<u>35,073</u>
EXPENDITURES			
Highways and streets	<u>30,370</u>	<u>18,655</u>	<u>11,715</u>
Excess of revenues over expenditures	1,158,721	1,205,509	46,788
OTHER FINANCING USES			
Transfers out	<u>(1,158,721)</u>	<u>(1,158,721)</u>	<u>-</u>
Net change in fund balances	-	46,788	46,788
Fund balances - beginning	<u>31,554</u>	<u>31,554</u>	<u>-</u>
Fund balances - ending	<u>\$ 31,554</u>	<u>\$ 78,342</u>	<u>\$ 46,788</u>

The notes to the financial statements are an integral part of this statement.

City of Southfield

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Final Budget and Actual - Parks and Recreation Fund

For the Year Ended June 30, 2007

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Taxes	\$ 5,846,041	\$ 5,763,201	\$ (82,840)
Charges for services	2,751,572	2,434,175	(317,397)
Investment income	100,000	279,042	179,042
Other revenue	39,440	247,337	207,897
Total revenues	8,737,053	8,723,755	(13,298)
EXPENDITURES			
Culture and recreation:			
Administration	3,593,867	2,744,027	849,840
Parks, forestry & environmental division	972,574	845,754	126,820
Recreation division	1,105,597	997,271	108,326
Cultural arts division	186,637	174,015	12,622
Senior center division	335,097	272,334	62,763
Parks facility operations	1,957,089	1,786,478	170,611
Golf	985,000	987,078	(2,078)
Debt service:			
Interest and fiscal charges	59,887	59,887	-
Total expenditures	9,195,748	7,866,844	1,328,904
Excess (deficiency) of revenues over (under) expenditures	(458,695)	856,911	1,315,606
OTHER FINANCING USES			
Transfers out	(176,598)	(176,598)	-
Net change in fund balances	(635,293)	680,313	1,315,606
Fund balances - beginning	3,436,115	3,436,115	-
Fund balances - ending	<u>\$ 2,800,822</u>	<u>\$ 4,116,428</u>	<u>\$ 1,315,606</u>

The notes to the financial statements are an integral part of this statement.

City of Southfield

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Final Budget and Actual - Cable Television Fund

For the Year Ended June 30, 2007

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Franchise fees	\$ 768,000	\$ 933,968	\$ 165,968
Investment earnings	5,000	22,756	17,756
Other	39,000	31,650	(7,350)
Total revenues	<u>812,000</u>	<u>988,374</u>	<u>176,374</u>
EXPENDITURES			
Culture and recreation	<u>835,593</u>	<u>806,987</u>	<u>28,606</u>
Excess (deficiency) of revenues over (under) expenditures	(23,593)	181,387	204,980
OTHER FINANCING USES			
Transfers out	<u>(11,815)</u>	<u>(11,815)</u>	<u>-</u>
Net change in fund balances	(35,408)	169,572	204,980
Fund balances - beginning	<u>449,633</u>	<u>449,633</u>	<u>-</u>
Fund balances - ending	<u>\$ 414,225</u>	<u>\$ 619,205</u>	<u>\$ 204,980</u>

The notes to the financial statements are an integral part of this statement.

City of Southfield

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Final Budget and Actual - Block Grant Fund

For the Year Ended June 30, 2007

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Intergovernmental:			
Federal	\$ 531,353	\$ 544,050	\$ 12,697
Investment earnings		32,924	32,924
Other		546,355	546,355
Total revenues	<u>531,353</u>	<u>1,123,329</u>	<u>591,976</u>
EXPENDITURES			
Community improvement	<u>531,353</u>	<u>983,888</u>	<u>(452,535)</u>
Net change in fund balances	-	139,441	139,441
Fund balances - beginning	<u>167,551</u>	<u>167,551</u>	<u>-</u>
Fund balances - ending	<u>\$ 167,551</u>	<u>\$ 306,992</u>	<u>\$ 139,441</u>

The notes to the financial statements are an integral part of this statement.

City of Southfield

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Final Budget and Actual - Section 8 Housing Fund

For the Year Ended June 30, 2007

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Intergovernmental:			
Federal	\$ 1,363,396	\$ 1,215,736	\$ (147,660)
Investment earnings		11,328	11,328
Total revenues	<u>1,363,396</u>	<u>1,227,064</u>	<u>(136,332)</u>
EXPENDITURES			
Social services	<u>1,363,396</u>	<u>1,215,736</u>	<u>147,660</u>
Net change in fund balances	-	11,328	11,328
Fund balances - beginning	<u>60,414</u>	<u>60,414</u>	<u>-</u>
Fund balances - ending	<u>\$ 60,414</u>	<u>\$ 71,742</u>	<u>\$ 11,328</u>

The notes to the financial statements are an integral part of this statement.

City of Southfield

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Final Budget and Actual - Drug Law Enforcement Fund

For the Year Ended June 30, 2007

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Fines and forfeitures	\$ 234,701	\$ 445,910	\$ 211,209
Contributions	10,500	12,000	1,500
Investment earnings	7,000	52,552	45,552
Total revenues	<u>252,201</u>	<u>510,462</u>	<u>258,261</u>
EXPENDITURES			
Public safety	<u>401,720</u>	<u>314,771</u>	<u>86,949</u>
Net change in fund balances	(149,519)	195,691	345,210
Fund balances - beginning	<u>648,156</u>	<u>648,156</u>	<u>-</u>
Fund balances - ending	<u>\$ 498,637</u>	<u>\$ 843,847</u>	<u>\$ 345,210</u>

The notes to the financial statements are an integral part of this statement.

City of Southfield

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Final Budget and Actual - Library Fund

For the Year Ended June 30, 2007

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Taxes	\$ 7,406,259	\$ 7,301,622	\$ (104,637)
Charges for services	507,271	525,743	18,472
Intergovernmental:			
State	66,026	65,237	(789)
Investment earnings	175,000	353,311	178,311
Other		3,089	3,089
Total revenues	<u>8,154,556</u>	<u>8,249,002</u>	<u>94,446</u>
EXPENDITURES			
Culture and recreation:			
Administration	2,140,432	2,033,627	106,805
Adult reference	1,409,203	1,250,763	158,440
Children's division	720,322	673,986	46,336
Circulation division	975,151	1,126,439	(151,288)
Support services division	<u>1,155,850</u>	<u>874,608</u>	<u>281,242</u>
Total expenditures	<u>6,400,958</u>	<u>5,959,423</u>	<u>441,535</u>
Excess of revenues over expenditures	1,753,598	2,289,579	535,981
OTHER FINANCING USES			
Transfers out	<u>(1,774,706)</u>	<u>(1,775,206)</u>	<u>(500)</u>
Net change in fund balances	(21,108)	514,373	535,481
Fund balances - beginning	<u>4,423,899</u>	<u>4,423,899</u>	<u>-</u>
Fund balances - ending	<u>\$ 4,402,791</u>	<u>\$ 4,938,272</u>	<u>\$ 535,481</u>

The notes to the financial statements are an integral part of this statement.

City of Southfield

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Final Budget and Actual - Michigan Works Grants Fund

For the Year Ended June 30, 2007

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Intergovernmental:			
Federal	\$ 2,118,689	\$ 2,696,844	\$ 578,155
Investment earnings		16,607	16,607
Total revenues	<u>2,118,689</u>	<u>2,713,451</u>	<u>594,762</u>
EXPENDITURES			
Social services	2,108,080	2,020,938	87,142
Other		218,191	(218,191)
Total expenditures	<u>2,108,080</u>	<u>2,239,129</u>	<u>(131,049)</u>
Excess of revenues over expenditures	10,609	474,322	463,713
OTHER FINANCING USES			
Transfers out	<u>(10,609)</u>	<u>(10,609)</u>	<u>-</u>
Net change in fund balances	-	463,713	463,713
Fund balances - beginning	<u>(306,060)</u>	<u>(306,060)</u>	<u>-</u>
Fund balances (deficit) - ending	<u>\$ (306,060)</u>	<u>\$ 157,653</u>	<u>\$ 463,713</u>

The notes to the financial statements are an integral part of this statement.

City of Southfield

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Final Budget and Actual - Auto Theft Grant Fund

For the Year Ended June 30, 2007

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Intergovernmental:			
State	\$ 192,167	\$ 168,278	\$ (23,889)
Investment earnings	1,000	2,681	1,681
Total revenues	193,167	170,959	(22,208)
EXPENDITURES			
Public Safety	254,423	243,242	11,181
Deficiency of revenues under expenditures	(61,256)	(72,283)	(11,027)
OTHER FINANCING SOURCES			
Transfers in	61,256	61,256	-
Net change in fund balances	-	(11,027)	(11,027)
Fund balances - beginning	66,509	66,509	-
Fund balances - ending	\$ 66,509	\$ 55,482	\$ (11,027)

The notes to the financial statements are an integral part of this statement.

(This page left intentionally blank.)

NONMAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUNDS

These funds account for the payment of interest and principal on long-term bonded debt. The City has contracted with Oakland County for indirect repayment of bonds issued for sewers and drains.

LIBRARY BUILDING AUTHORITY DEBT FUND

General Library taxes are provided, through operating fund rent payments to pay debt service for construction.

DRAINS-AT-LARGE FUND

An at-large assessment is levied upon all property to cover debt service for drains and storm sewers built in the City by Oakland County.

BUILDING AUTHORITY DEBT FUND

General property taxes are provided, through operating fund rent payments, to pay debt service for construction or renovation of various municipal buildings.

SPECIAL ASSESSMENT DEBT FUND

Special assessments collected by this fund are used to pay internal loans borrowed for specific local improvements which benefit property owners.

City of Southfield
Combining Balance Sheet
Nonmajor Governmental Funds
Debt Service Funds
June 30, 2007

	Drains-at- Large Debt Fund	Building Authority Debt Fund	Special Assessment Debt Fund	Total
ASSETS				
Cash and cash equivalents	\$ 69,317	\$ 7,080	\$ 1,500,218	\$ 1,576,615
Investments	538,918		675,909	1,214,827
Receivables:				
Special assessments			1,039,575	1,039,575
Other	80,241	112	73,121	153,474
Due from other funds	95,159			95,159
Total assets	\$ 783,635	\$ 7,192	\$ 3,288,823	\$ 4,079,650
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	101			101
Due to other funds	169,046	1,182		170,228
Deferred revenue	16,072		1,039,575	1,055,647
Total liabilities	185,219	1,182	1,039,575	1,225,976
Fund balance:				
Reserved for Debt Service	598,416	6,010	2,249,248	2,853,674
Total liabilities and fund balances	\$ 783,635	\$ 7,192	\$ 3,288,823	\$ 4,079,650

The notes to the financial statements are an integral part of this statement.

City of Southfield

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

Debt Service Funds

For the Year Ended June 30, 2007

	Library Building Authority Debt Fund	Drains-at- Large Debt Fund	Building Authority Debt Fund	Special Assessment Debt Fund	Total
REVENUES					
Taxes		\$ 707,000			\$ 707,000
Special assessments				\$ 293,400	293,400
Investment earnings		25,827	\$ 218	72,647	98,692
Other revenue				64,796	64,796
Total revenues	-	732,827	218	430,843	1,163,888
EXPENDITURES					
Other	\$ 500	225	4,738		5,463
Debt service:					
Principal retirement	410,000	375,193			785,193
Interest and fiscal charges	1,443,038	233,133			1,676,171
Total expenditures	1,853,538	608,551	4,738	-	2,466,827
Excess (deficiency) of revenues over (under) expenditures	(1,853,538)	124,276	(4,520)	430,843	(1,302,939)
OTHER FINANCING SOURCES					
Transfers in	1,853,538	-	-	-	1,853,538
Net change in fund balances	-	124,276	(4,520)	430,843	550,599
Fund balances - beginning	-	474,140	10,530	1,818,405	2,303,075
Fund balances - ending	\$ -	\$ 598,416	\$ 6,010	\$ 2,249,248	\$ 2,853,674

The notes to the financial statements are an integral part of this statement.

NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS FUNDS

These funds account for resources used for the acquisition or major renovation of capital facilities. Disbursements from these funds are primarily for property acquisition and the construction of permanent public improvements. The major financing sources are bond proceeds, transfers from other City funds, internal loans and grants.

ROAD CONSTRUCTION FUND: The Road Construction Fund accounts for proceeds from the sale of Michigan Transportation fund bonds.

LIBRARY BUILDING AUTHORITY FUND

The Southfield Library Building Authority was incorporated June 14, 1999 under the provisions of Act 31, Public Acts of 1948, to purchase or construct, furnish, equip and maintain a Southfield public library building. As provided in Act 31, the Library Building Authority may also issue negotiable bonds to be repaid through rental payments of the Library to the City. The Authority's Debt Service Funds are presented in the preceding section.

CIVIC CENTER IMPROVEMENT FUND

This fund was created for maintenance and improvement of the City Civic Center.

BUILDING AUTHORITY FUND

The Southfield Building Authority was incorporated October 16, 1962 under the provisions of Act 31, Public Acts of 1948, to purchase or construct facilities for use by the City. Building Authority bonds are issued to finance large-scale projects, while internal financing is used to fund other construction projects. The Authority's Debt Service Funds are presented in the preceding section.

SPECIAL ASSESSMENT CONSTRUCTION FUND

This fund accounts for the construction phase of local improvements which benefit specific property owners and are ultimately financed through special assessments. Any debt service related to these projects is presented in the preceding section.

City of Southfield
Combining Balance Sheet
Nonmajor Governmental Funds
Capital Project Funds
June 30, 2007

	Road Construction Fund	Library Building Authority Construction Fund	Civic Center Improvement Fund	Building Authority Construction Fund	Special Assessment Construction Fund	Total
ASSETS						
Cash and cash equivalents		\$ 30,107	\$ 10,588	\$ 164,205	\$ 616,796	\$ 821,696
Investments		1,827,487			874,413	2,701,900
Receivables:						
Special assessments					136,370	136,370
Other	\$ 3,966	27,825	167	893	19,598	52,449
Restricted assets:						
Cash and cash equivalents	1,430,939			14,667		1,445,606
Due from other funds	139,400				9,078	148,478
Total assets	\$ 1,574,305	\$ 1,885,419	\$ 10,755	\$ 179,765	\$ 1,656,255	\$ 5,306,499
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	74,340	22,971		71,842	16,437	185,590
Due to other funds		213,925		93,026	138,894	445,845
Deferred revenue					136,370	136,370
Advances from local improvement revolving fund					2,260,185	2,260,185
Total liabilities	74,340	236,896		164,868	2,551,886	3,027,990
Fund balances (deficit):						
Reserved for restricted assets	1,430,939			14,667		1,445,606
Unreserved:						
Undesignated	69,026	1,648,523	10,755	230	(895,631)	832,903
Total fund balances (deficit)	1,499,965	1,648,523	10,755	14,897	(895,631)	2,278,509
Total liabilities and fund balances	\$ 1,574,305	\$ 1,885,419	\$ 10,755	\$ 179,765	\$ 1,656,255	\$ 5,306,499

The notes to the financial statements are an integral part of this statement.

City of Southfield

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

Capital Project Funds

For the Year Ended June 30, 2007

	Road Construction Fund	Library Building Authority Construction Fund	Civic Center Improvement Fund	Building Authority Construction Fund	Special Assessment Construction Fund	Total
REVENUES						
Special assessments					\$ 97,934	\$ 97,934
Intergovernmental						
Other	\$ 324,335					324,335
Other	10,000				8,965	18,965
Investment earnings	117,216	\$ 115,465	\$ 314	\$ 7,411	50,547	290,953
Total revenues	451,551	115,465	314	7,411	157,446	732,187
EXPENDITURES						
Capital outlay, construction and other costs		485,745		442,438	353,581	1,281,764
Debt service:						
Interest charges					63,894	63,894
Total expenditures	-	485,745	-	442,438	417,475	1,345,658
Excess (deficiency) of revenues over (under) expenditures	451,551	(370,280)	314	(435,027)	(260,029)	(613,471)
OTHER FINANCING SOURCES (USES)						
Transfers in				295,365		295,365
Transfers out	(2,224,363)	(82,389)				(2,306,752)
Total other financing sources (uses)	(2,224,363)	(82,389)	-	295,365	-	(2,011,387)
Net change in fund balances	(1,772,812)	(452,669)	314	(139,662)	(260,029)	(2,624,858)
Fund balances (deficit) - beginning	3,272,777	2,101,192	10,441	154,559	(635,602)	4,903,367
Fund balances (deficit) - ending	<u>\$ 1,499,965</u>	<u>\$ 1,648,523</u>	<u>\$ 10,755</u>	<u>\$ 14,897</u>	<u>\$ (895,631)</u>	<u>\$ 2,278,509</u>

The notes to the financial statements are an integral part of this statement.

INTERNAL SERVICE FUNDS

These funds are cost control centers that operate on a full accrual basis to account for the financing of specific equipment and services provided to other City operations based on user charges.

FACILITIES MAINTENANCE FUND

This fund accounts for the ongoing maintenance of the City's physical plant, as well as construction projects carried out by in-house staff. Annual pro-rated maintenance charges and non-recurring special project billings are collected from operating departments in support of this fund's activities.

MOTOR POOL FUND

This fund acquires and maintains vehicles and equipment, including heavy construction & maintenance items and police & fire vehicles.

EQUIPMENT REVOLVING FUND

This fund acquires and maintains office equipment for all operations and provides for replacement of fire equipment, parks and recreation equipment and library equipment.

INSURANCE RISK RETENTION FUND

This fund is utilized to account for retroactive premium adjustments, as a provision for claims in excess of the City's insurance coverage, and for loss prevention and risk management initiatives.

LOCAL IMPROVEMENT REVOLVING FUND

This fund was established to provide a means for the internal financing of public improvements, where appropriate. Most monies loaned to other funds are to be repaid with interest.

EMPLOYEE INCENTIVE LOAN PROGRAM FUND

This fund was created to encourage City employees to choose Southfield as their city of residence and to support the City's goals of neighborhood stability and redevelopment. Monies loaned to employees as an incentive to purchase a home in Southfield are repaid over a period not to exceed seven years.

City of Southfield
Combining Statement of Net Assets
Internal Service Funds
June 30, 2007

	Facilities Maintenance Fund	Motor Pool Fund	Equipment Revolving Fund	Insurance Risk Retention Fund	Local Improvement Revolving Fund	Employee Incentive Loan Program Fund	Total
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 43,659	\$ 33,986	\$ 8,822	\$ 160,551	\$ 48,450	\$ 163,068	\$ 458,536
Investments	925,173	2,402,903	4,838,736	7,671,261	8,208,347		24,046,420
Receivables (net)	13,531	12,371	98,874	95,754	117,770	628	338,928
Prepays		16,525	307,858				324,383
Due from other funds	1,270,320	673,193	5,160,094		285,983		7,389,590
Restricted cash and cash equivalents				1,108,958			1,108,958
Inventory		345,609					345,609
Total current assets	<u>2,252,683</u>	<u>3,484,587</u>	<u>10,414,384</u>	<u>9,036,524</u>	<u>8,660,550</u>	<u>163,696</u>	<u>34,012,424</u>
Noncurrent assets:							
Long-term advances to other funds					7,557,541		7,557,541
Long-term advances to component units					4,415,864		4,415,864
Long-term advances to employees						48,699	48,699
Capital assets:							
Machinery and equipment	542,884	13,061,476	10,345,235				23,949,595
Less accumulated depreciation	<u>(250,143)</u>	<u>(10,498,625)</u>	<u>(7,845,202)</u>				<u>(18,593,970)</u>
Net capital assets	<u>292,741</u>	<u>2,562,851</u>	<u>2,500,033</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,355,625</u>
Total noncurrent assets	<u>292,741</u>	<u>2,562,851</u>	<u>2,500,033</u>	<u>-</u>	<u>11,973,405</u>	<u>48,699</u>	<u>17,377,729</u>
Total assets	<u>2,545,424</u>	<u>6,047,438</u>	<u>12,914,417</u>	<u>9,036,524</u>	<u>20,633,955</u>	<u>212,395</u>	<u>51,390,153</u>
LIABILITIES							
Current liabilities:							
Accounts payable	219,587	107,001	311,531	1,305	1,491		640,915
Accrued payroll	11,099	5,590					16,689
Insurance payable				784,520			784,520
Workers' compensation payable				1,130,315			1,130,315
Due to other funds	4,158	577,501		452,727	1,913,803		2,948,189
Due to component units		131			6,218		6,349
Total current liabilities	<u>234,844</u>	<u>690,223</u>	<u>311,531</u>	<u>2,368,867</u>	<u>1,921,512</u>	<u>-</u>	<u>5,526,977</u>
Noncurrent liabilities:							
Accrued compensated absences	304,991	146,370					451,361
Total liabilities	<u>539,835</u>	<u>836,593</u>	<u>311,531</u>	<u>2,368,867</u>	<u>1,921,512</u>	<u>-</u>	<u>5,978,338</u>
NET ASSETS							
Invested in capital assets, net of related debt	292,741	2,562,851	2,500,033				5,355,625
Restricted for premiums				1,108,958			1,108,958
Unrestricted	<u>1,712,848</u>	<u>2,647,994</u>	<u>10,102,853</u>	<u>5,558,699</u>	<u>18,712,443</u>	<u>212,395</u>	<u>38,947,232</u>
Total net assets	<u>\$ 2,005,589</u>	<u>\$ 5,210,845</u>	<u>\$ 12,602,886</u>	<u>\$ 6,667,657</u>	<u>\$ 18,712,443</u>	<u>\$ 212,395</u>	<u>\$ 45,411,815</u>

The notes to the financial statements are an integral part of this statement.

City of Southfield
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2007

	Facilities Maintenance Fund	Motor Pool Fund	Equipment Revolving Fund	Insurance Risk Retention Fund	Local Improvement Revolving Fund	Employee Incentive Loan Program Fund	Total
OPERATING REVENUES							
Charges for consumption and service	\$ 5,852,997	\$ 3,825,660	\$ 616,671				\$ 10,295,328
Other	<u>252,426</u>	<u>56,653</u>		\$ 674,049	\$ 325,372		<u>1,308,500</u>
Total operating revenue	6,105,423	3,882,313	616,671	674,049	325,372	\$ -	11,603,828
OPERATING EXPENSES							
Administration	2,441,518	99,657					2,541,175
Equipment and facility operation:							
Equipment maintenance		2,371,206	432,388				2,803,594
Communications		609,907					609,907
Maintenance staff	1,309,386						1,309,386
Custodial staff	1,875,304						1,875,304
Depreciation and capital adjustments	33,903	831,161	485,123				1,350,187
Other			<u>7,379</u>	<u>256,484</u>	<u>20,777</u>	<u>437</u>	<u>285,077</u>
Total operating expenses	<u>5,660,111</u>	<u>3,911,931</u>	<u>924,890</u>	<u>256,484</u>	<u>20,777</u>	<u>437</u>	<u>10,774,630</u>
Operating income (loss)	445,312	(29,618)	(308,219)	417,565	304,595	(437)	829,198
NONOPERATING REVENUES							
Gain on disposition of assets		2,136	2,500				4,636
Investment income	<u>72,064</u>	<u>42,787</u>	<u>429,066</u>	<u>401,495</u>	<u>458,496</u>	<u>7,678</u>	<u>1,411,586</u>
Total nonoperating revenues	72,064	44,923	431,566	401,495	458,496	7,678	1,416,222
Income before transfers	517,376	15,305	123,347	819,060	763,091	7,241	2,245,420
OTHER FINANCING USES							
Transfers out	<u>(312,019)</u>	<u>(6,470)</u>		<u>(240,000)</u>	<u>(1,913,803)</u>		<u>(2,472,292)</u>
Change in net assets	205,357	8,835	123,347	579,060	(1,150,712)	7,241	(226,872)
Total net assets - beginning	<u>1,800,232</u>	<u>5,202,010</u>	<u>12,479,539</u>	<u>6,088,597</u>	<u>19,863,155</u>	<u>205,154</u>	<u>45,638,687</u>
Total net assets - ending	<u>\$ 2,005,589</u>	<u>\$ 5,210,845</u>	<u>\$ 12,602,886</u>	<u>\$ 6,667,657</u>	<u>\$ 18,712,443</u>	<u>\$ 212,395</u>	<u>\$ 45,411,815</u>

The notes to the financial statements are an integral part of this statement.

City of Southfield
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2007

	Facilities Maintenance Fund	Motor Pool Fund	Equipment Revolving Fund	Insurance Risk Retention Fund	Local Improvement Revolving Fund	Employee Incentive Loan Program Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from users	\$ 6,111,427	\$ 3,879,967	\$ 308,813	\$ 696,088	\$ 503,789		\$ 11,500,084
Cash paid to employees	(2,654,677)	(1,150,902)		(253,841)			(4,059,420)
Cash paid to suppliers	(3,333,611)	(1,899,230)	(150,974)	(72,626)	(131,293)	\$ (437)	(5,588,171)
Net cash provided by (used in) operating activities	123,139	829,835	157,839	369,621	372,496	(437)	1,852,493
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Advance (payments) within an interfund	(1,004,632)	2,352,469	33,195	910,564	836,958	(5,958)	3,122,596
Long-term payments					(203,726)		(203,726)
Long-term advances received from component units					1,269,211		1,269,211
Long-term advances to employees						4,909	4,909
Transfers out	(16,654)	(6,470)		(240,000)	(1,913,803)		(2,176,927)
Net cash provided by (used in) noncapital and related financing activities	(1,021,286)	2,345,999	33,195	670,564	(11,360)	(1,049)	2,016,063
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Purchases of property and equipment		(1,222,074)	(595,947)				(1,818,021)
Net cash used in capital and related financing activities	-	(1,222,074)	(595,947)	-	-	-	(1,818,021)
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds (loss) from sales and maturities of investments	373,545	(2,037,498)	(91,159)	(2,111,646)	(787,769)		(4,654,527)
Investment income	74,101	32,821	365,498	350,729	405,454	7,210	1,235,813
Net cash provided by (used in) investing activities	447,646	(2,004,677)	274,339	(1,760,917)	(382,315)	7,210	(3,418,714)
Net increase (decrease) in cash, cash equivalents	(450,501)	(50,917)	(130,574)	(720,732)	(21,179)	5,724	(1,368,179)
Cash, cash equivalents, beginning of year	494,160	84,903	139,396	881,283	69,629	157,344	1,826,715
Cash, cash equivalents, end of year	\$ 43,659	\$ 33,986	\$ 8,822	\$ 160,551	\$ 48,450	\$ 163,068	\$ 458,536
Reconciliation of operating income to net cash provided by (used in) operating activities:							
Operating income (loss)	\$ 149,947	\$ (29,618)	\$ (308,219)	\$ 417,565	\$ 304,595	\$ (437)	\$ 533,833
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:							
Depreciation and capital adjustments	33,903	831,161	485,123				1,350,187
Receivables		(232)		22,039			21,807
Prepays	6,004	3,278	(307,858)				(298,576)
Due from component units		340,217			178,417		518,634
Inventory		(345,609)					(345,609)
Accounts payable	(108,967)	(23,327)	288,793	1,305	(116,734)		41,070
Accrued payroll	(26,874)	(13,780)					(40,654)
Accrued compensated absences	69,126	67,614					136,740
Workers' compensation payable				433,589			433,589
Insurance payable				(504,877)			(504,877)
Due to component units		131			6,218		6,349
Net cash provided by (used in) operating activities	\$ 123,139	\$ 829,835	\$ 157,839	\$ 369,621	\$ 372,496	\$ (437)	\$ 1,852,493

The notes to the financial statements are an integral part of this statement.

FIDUCIARY FUNDS

Fiduciary Funds or Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other City funds. These include Expendable, Nonexpendable, and Pension Trust Funds and Agency Funds. Expendable Trust and Agency Funds are accounted for and reported as Governmental Funds.

TRUST

PENSION TRUST

This fund accounts for employee and employer pension contributions, accumulated assets, administrative expenses, investment income and payments to beneficiaries.

RETIREE HEALTH CARE BENEFITS PLAN & TRUST

The fund accounts for employer post retirement health care contributions, accumulated assets, administrative expenses and investment income. Payments for beneficiaries are not anticipated until the reserves for post retirement health care benefits have been depleted in the pension trusts.

City of Southfield
Combining Statement of Fiduciary Net Assets
Pension (and Other Post-Employment Benefits) Trust Funds
June 30, 2007

	Employee Retirement	Fire and Police	Retiree Health Care Benefits Plan & Trust	Totals
ASSETS				
Cash equivalents	\$ 439,378	\$ 3,747,471	\$ 423,562	\$ 4,610,411
Investments, at fair value:				
Government obligations	9,440,825	7,471,799	3,362,661	20,275,285
Corporate bonds	4,465,016	39,348,726		43,813,742
Common stock	33,729,467	164,176,064	13,326,280	211,231,811
Real estate and other	55,445,736	23,116,720		78,562,456
Cash and investments held as collateral for securities				
lending - short term investments pools	14,919,190	21,835,482		36,754,672
Total investments	118,000,234	255,948,791	16,688,941	390,637,966
Prepaid	433,995			433,995
Receivables, net	280,260	398,479	75,703	754,442
Total assets	119,153,867	260,094,741	17,188,206	396,436,814
LIABILITIES				
Accounts payable			205,130	205,130
Obligations under securities				
lending agreements	14,919,190	21,835,482		36,754,672
Total liabilities	14,919,190	21,835,482	205,130	36,959,802
NET ASSETS				
Reserved for pension benefits	104,234,677	225,541,055		329,775,732
Reserved for post-retirement health care benefits		12,718,204	16,983,076	29,701,280
Total net assets	\$ 104,234,677	\$ 238,259,259	\$ 16,983,076	\$ 359,477,012

The notes to the financial statements are an integral part of this statement.

City of Southfield
Combining Statement of Changes in Fiduciary Net Assets
Pension (and Other Post-Employment Benefits) Trust Funds
For the Year Ended June 30, 2007

	Employee Retirement	Fire and Police	Retiree Health Care Benefits Plan & Trust	Totals
ADDITIONS				
Contributions:				
Plan members		\$ 816,954	\$ 536,111	\$ 1,353,065
Employer	\$ 2,962,888	3,318,326	3,830,938	10,112,152
Total contributions	2,962,888	4,135,280	4,367,049	11,465,217
Investment earnings:				
Net increase in				
fair value of investments	15,888,036	33,476,020	1,649,085	51,013,141
Interest	1,235,320	3,934,775	4,406	5,174,501
Dividends	771,733	1,812,527	616,605	3,200,865
Total investment earnings	17,895,089	39,223,322	2,270,096	59,388,507
Less investment expense:	445,104	641,268	38,768	1,125,140
Net investment earnings	17,449,985	38,582,054	2,231,328	58,263,367
Total additions	20,412,873	42,717,334	6,598,377	69,728,584
DEDUCTIONS				
Benefits	5,409,576	12,706,748		18,116,324
Health care expense	830,986	2,402,429		3,233,415
Administrative expense	165,778	393,957	35,714	595,449
Total deductions	6,406,340	15,503,134	35,714	21,945,188
Net increase	14,006,533	27,214,200	6,562,663	47,783,396
Net assets - beginning	90,228,144	211,045,059	10,420,413	311,693,616
Net assets - ending	\$ 104,234,677	\$ 238,259,259	\$ 16,983,076	\$ 359,477,012

The notes to the financial statements are an integral part of this statement.

(This page left intentionally blank.)

FIDUCIARY FUNDS

AGENCY

DEPOSITS AND ESCROW

This fund is for builders' cash bonds and similar escrow deposits.

IMPREST PAYROLL

This fund is a clearing-account for payroll disbursements which is replenished from other funds.

46TH DISTRICT COURT

This fund is for the activity of adjoining municipalities served by the 46th District Court of the State of Michigan. The City acts as district control unit for the 46th District Court.

City of Southfield
Combining Statement of Fiduciary Net Assets
Agency Funds
June 30, 2007

	<u>Imprest Payroll</u>	<u>Deposits and Escrow</u>	<u>46th District Court</u>	<u>Totals</u>
ASSETS				
Cash and cash equivalents	\$ 351,245	\$ 660,751	\$ 1,289,791	\$ 2,301,787
Investments		3,723,359		3,723,359
Receivables, net		<u>21,460</u>		<u>21,460</u>
Total assets	\$ <u>351,245</u>	\$ <u>4,405,570</u>	\$ <u>1,289,791</u>	\$ <u>6,046,606</u>
LIABILITIES				
Accounts payable	\$ 351,245	\$ 6,404		\$ 357,649
Deposits and escrow		3,977,934	\$ 266,185	4,244,119
Due to other governmental units		<u>421,232</u>	<u>1,023,606</u>	<u>1,444,838</u>
Total liabilities	\$ <u>351,245</u>	\$ <u>4,405,570</u>	\$ <u>1,289,791</u>	\$ <u>6,046,606</u>

The notes to the financial statements are an integral part of this statement.

City of Southfield
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2007

	Balance at July 1, 2006	Additions	Deletions	Balance at June 30, 2007
IMPREST PAYROLL				
ASSETS				
Cash equivalents	\$ 39,687	\$ 67,238,369	\$ 66,926,809	\$ 351,247
TOTAL ASSETS	<u>\$ 39,687</u>	<u>\$ 67,238,369</u>	<u>\$ 66,926,809</u>	<u>\$ 351,247</u>
LIABILITIES				
Accounts payable	\$ 39,687	\$ 51,464,248	\$ 51,152,688	\$ 351,247
TOTAL LIABILITIES	<u>\$ 39,687</u>	<u>\$ 51,464,248</u>	<u>\$ 51,152,688</u>	<u>\$ 351,247</u>
DEPOSITS AND ESCROW				
ASSETS				
Cash equivalents	\$ 104,766	\$ 3,797,925	\$ 3,241,940	\$ 660,751
Investments	3,831,033	816,514	924,188	3,723,359
Receivables, net		48,350	26,890	21,460
TOTAL ASSETS	<u>\$ 3,935,799</u>	<u>\$ 4,662,789</u>	<u>\$ 4,193,018</u>	<u>\$ 4,405,570</u>
LIABILITIES				
Accounts payable	\$ 10,297	\$ 493,278	\$ 497,171	\$ 6,404
Deposits and escrow	3,925,502	1,868,642	1,816,210	3,977,934
Due to other governmental units		421,232		421,232
TOTAL LIABILITIES	<u>\$ 3,935,799</u>	<u>\$ 2,783,152</u>	<u>\$ 2,313,381</u>	<u>\$ 4,405,570</u>

The notes to the financial statements are an integral part of this statement.

City of Southfield
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2007

	<u>Balance at July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2007</u>
46th DISTRICT COURT				
ASSETS				
Cash equivalents	\$ 1,239,461	\$ 6,793,175	6,742,845	\$ 1,289,791
TOTAL ASSETS	<u>\$ 1,239,461</u>	<u>\$ 6,793,175</u>	<u>\$ 6,742,845</u>	<u>\$ 1,289,791</u>
LIABILITIES				
Deposits and escrow	\$ 166,556	\$ 160,208	\$ 60,579	\$ 266,185
Due to other governmental units	<u>1,072,905</u>	<u>1,023,606</u>	<u>1,072,905</u>	<u>1,023,606</u>
TOTAL LIABILITIES	<u>\$ 1,239,461</u>	<u>1,183,814</u>	<u>\$ 1,133,484</u>	<u>\$ 1,289,791</u>
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash equivalents	\$ 1,383,914	\$ 77,829,469	\$ 76,911,594	\$ 2,301,789
Investments	3,831,033	816,514	924,188	3,723,359
Receivables, net	<u></u>	<u>48,350</u>	<u>26,890</u>	<u>21,460</u>
TOTAL ASSETS	<u>\$ 5,214,947</u>	<u>\$ 78,694,333</u>	<u>\$ 77,862,672</u>	<u>\$ 6,046,608</u>
LIABILITIES				
Accounts payable	\$ 49,984	\$ 51,957,526	\$ 51,649,859	\$ 357,651
Deposits and escrow	4,092,058	2,028,850	1,876,789	4,244,119
Due to other governmental units	<u>1,072,905</u>	<u>1,444,838</u>	<u>1,072,905</u>	<u>1,444,838</u>
TOTAL LIABILITIES	<u>\$ 5,214,947</u>	<u>\$ 55,431,214</u>	<u>\$ 54,599,553</u>	<u>\$ 6,046,608</u>

The notes to the financial statements are an integral part of this statement.

(continued)

City Of Southfield, Michigan
Governmental Expenditures By Function (1)
Last Ten Fiscal Years

Fiscal Year Ending Jun 30	General Gov't. (2)	Public Safety	Highways And Streets	Public Services	Parks And Recreation	Library	Debt Service	Total
1998	\$ 24,279,309	\$ 31,113,228	\$ 7,119,385	\$ 3,504,960	\$ 7,905,936	\$ 2,838,927	\$ 3,907,107	\$ 80,668,852
1999	21,630,126	33,219,119	11,062,784	3,697,838	6,206,639 (4)	2,929,199	3,997,913	82,743,618
2000	24,919,150 (5)	34,579,263	7,088,625	3,514,649	7,499,912	3,011,721	3,492,086	84,105,406
2001	25,621,771 (6)	36,041,768	15,483,061 (7)	3,877,770	8,009,409	3,151,360	4,178,052	96,363,191
2002	39,924,173 (8)	36,811,296	14,950,758	3,858,964	8,164,746	3,260,348	4,464,042	111,434,327
2003	42,634,591 (9)	37,987,626	15,905,920	4,375,788	8,062,432	3,976,496	2,906,794	115,849,647
2004	33,122,785	40,575,743	9,938,064	4,051,890	7,815,285	5,237,244	2,323,407	103,064,418
2005	25,951,115	42,957,930	10,233,510	4,169,299	7,792,691	5,560,470	3,593,950	100,258,965
2006	27,880,141	43,448,812	15,961,926 (10)	4,147,408	7,853,946	5,680,736	3,678,425	108,651,394
2007	25,667,871	43,818,743	11,224,023	4,380,028	7,866,844	5,959,423	3,929,557	102,846,489

Notes:

- (1) Includes general, special revenue, capital projects, debt service funds and governmental component units.
Does not include fiduciary funds or non-profit housing.
- (2) Includes all expenditures not shown separately and all governmental component unit expenditures
- (3) Included \$2.746 million in capital renovations.
- (4) Golf course activity recorded in an enterprise fund.
- (5) Included \$2.057 million in capital projects for golf course renovations.
- (6) Includes \$3.764 million in Library construction.
- (7) Includes \$6.955 million in bridge construction. Also reflects increases in road maintenance and construction, expenditures for I-696 freeway system improvements, and fluctuations in the timing of engineering and other internal charges for capital projects at various stages of completion.
- (8) Includes \$13.640 million for Library construction, \$2.052 million for ball field construction, \$569,000 for DPW garage roof repair project and \$218,000 for Public Safety locker room improvements.
- (9) Includes \$11.405 million for Library construction, \$255,460 for ballfield construction, \$222,560 for DPW garage roof repair project, \$89,061 for Civic Center improvements, \$37,899 for Cable renovations, \$59,683 for Fire Hall #5 improvements and \$24,739 for the Court Building improvements.
- (10) Includes \$9.6 million for Major Street construction financed through a \$12.5 million MTF bond.

City Of Southfield, Michigan
Governmental Revenues By Source (1)
Last Ten Fiscal Years

Fiscal Year Ending Jun 30	<u>Taxes (2)</u>	<u>Licenses And Permits</u>	<u>Inter- Governmental</u>	<u>Charges For Services</u>	<u>Fines And Forfeitures</u>	<u>Investment Income</u>	<u>Other</u>	Total
1998	\$ 43,910,070	\$ 2,082,963	\$ 17,258,616	\$ 11,938,296	\$ 2,323,022	\$ 3,923,085 (4)	\$ 1,960,781	\$ 83,396,833
1999	46,720,100	2,214,635	17,388,222	8,524,990	2,634,593	3,868,293 (4)	1,649,158	82,999,991
2000	48,720,484	2,321,821	17,658,307	9,674,002	3,187,397	3,274,632 (4)	2,148,768 (5)	86,985,405
2001	50,997,335 (3)	2,338,782	19,999,755	8,392,034	3,223,027	6,305,946 (4)	2,339,753	93,596,632
2002	52,855,386	2,504,585	19,827,155	8,843,399	3,879,502	6,432,134 (4)	1,915,360	96,257,521
2003	55,970,688	2,138,586	17,900,571	8,139,017	3,269,811	1,939,730 (4)	1,823,955	91,182,358
2004	54,873,260	2,139,257	21,515,052	7,637,466	3,654,601	391,341 (4)	5,574,413 (6)	95,421,390
2005	59,767,903	2,284,166	19,171,434	8,940,553	3,448,333	1,414,476 (4)	2,284,065	97,310,930
2006	61,123,776	2,415,319	18,751,676	9,670,330	4,541,759	2,389,658	3,592,894	102,485,412
2007	64,406,155	2,266,707	17,730,977	9,683,699	4,676,288	4,458,844	3,981,691	107,204,361

Notes:

- (1) Includes general, special revenue, capital, debt service funds, and component units. Does not include non-profit housing.
- (2) Includes all levies, fees, penalties and interest related to ad valorem taxes.
- (3) Includes first year of full levy of Library millage approved by the City's voters on March 9, 1999.
- (4) Adjusted for increase (decrease) in fair market value of investments in accordance with GASB 31.
- (5) Included \$682,638 sale of property.
- (6) Includes \$3,350,000 sale of building.

City Of Southfield, Michigan

Property Tax Levies and Collections Last Ten Fiscal Years

Fiscal Year Ending Jun 30	Total Tax Levy	Current Tax Collections	Percent Of Levy Collected	Delinquent Real Tax Reimburse	Delinquent Personal Tax Collections	Total Tax Collections	Percent Of Total Tax Collect. To Tax Levy	Out- standing Delinq. Personal Taxes	Percent of Delinq. Taxes To Tax Levy
1998	\$ 40,826,342	\$ 39,085,268	95.7%	\$ 1,301,668	\$ 60,048	\$ 40,446,984	99.1%	\$ 191,941	5.0%
1999	43,396,062	41,713,067	96.1	1,449,925	68,630	43,231,622	99.6	203,305	0.5
2000	44,827,185	43,086,171	96.1	1,531,350	67,295	44,617,521	99.5	209,664	0.5
2001	47,637,367 *	45,397,597	95.3	1,763,241	25,252	47,160,838	99.0	476,529	1.0
2002	48,423,568	45,844,481	94.7	2,066,704	11,574	47,911,185	98.9	512,383	1.1
2003	50,904,589	47,932,449	94.2	2,372,308	58,622	50,304,756	98.8	599,832	1.2
2004	52,521,185	49,823,413	94.9	2,154,404	40,969	52,018,785	99.0	539,288	1.0
2005	54,916,497	52,142,667	94.9	2,286,487	37,729	54,466,883	99.2	487,285	0.9
2006	56,401,493	53,191,336	94.3	2,775,221	37,174	56,003,731	99.3	385,036	0.7
2007	57,479,365	53,734,965	93.5	3,506,368	64,980	57,306,313	99.7	169,503	0.3

Note:

* Reflects first year of full levy of Library millage approved by the City's voters on March 9, 1999.

City Of Southfield, Michigan

Assessed Value (AV) Of Taxable Property Last Ten Fiscal Years

State Equalized Valuation (SEV) (1) / Taxable Valuation (TV) (2)

FY Ending 30-Jun		Real Property(AV)		Personal Property(AV)		Total Property(SEV)		TV		Increase
1998	\$	2,172,866,966	\$	468,287,000	\$	2,641,153,966	\$	2,514,270,106	TV	3.7 %
1999		2,526,692,210		532,421,094		3,059,113,304		2,707,964,479	TV	7.7
2000		2,682,684,450		562,771,170		3,245,455,620		2,825,989,180	TV	4.4
2001		2,955,145,140		497,451,340		3,452,596,480		2,929,875,361	TV	3.7
2002		3,159,012,430		513,878,170		3,672,890,600		3,078,615,673	TV	5.1
2003		3,416,720,080		519,877,800		3,936,597,880		3,230,941,830	TV	4.9
2004		3,583,436,040		457,372,200		4,040,808,240		3,268,025,510	TV	1.1
2005		3,727,441,360		452,521,050		4,179,962,410		3,386,748,000	TV	3.6
2006		3,800,543,077		437,831,900		4,238,374,977		3,482,084,152	TV	2.8
2007		3,870,636,770		434,458,060		4,305,094,830		3,213,818,967	TV	-7.7

Notes:

(1) In accordance with the 1970 State of Michigan Constitution, SEV is 50% of appraised or estimated fair market value.

(2) On March 15, 1994, Michigan voters approved changes in the property tax system which affects municipal budgets by placing a cap on taxable value (TV) that is used to compute property tax revenues. Under the changes, effective with the 1995-96 fiscal year, real property assessed value (AV) continues to be adjusted to reflect fair market value, while the taxable value adjustment is limited to the lesser of 5% or the rate of inflation provided the property remained in the same ownership. Upon a property transfer, the cap is removed the following year, increasing the taxable value to the same level as the assessed value, thus established a new base for the again capped taxable value. Previously, real property was adjusted to market value for tax purposes on an annual basis and was not subject to a per parcel limitation or cap. Prior to the 1995-96 fiscal year, all assessed value was taxable. Now, and in the future, some growth in assessed value will not be taxable. The traditional terminology of "State Equalized Value" (SEV) still exists. However, since SEV no longer represents the tax revenue producing power of a municipality, the term "taxable value" is now the fiscally relevant terminology.

City of Southfield, Michigan

Property Tax Rates (Per \$1,000 of Taxable Assessed Value)

		General Fund					Special Revenue Funds			Debt Service Funds		
Fiscal Year Ending June 30		Operating	Public Safety Expansion	Fire & Police Retirement	Parks & Rec.	Library	Street Maint.	Public Act 298 of 1917	Drains At Large	Building Authority	Total All Rates	
1998		6.957	2.981	1.822	1.739	0.994	0.994	0.476		0.489	16.452	
1999		6.900	2.957	1.726	1.725	0.986	0.986	0.455		0.492	16.227	
2000		6.829	2.927	1.382	1.707	1.305	0.975	0.455		0.468	16.048	
2001		6.645	2.848	1.350	1.661	2.105	0.949	0.508		0.380	16.446	
2002		6.609	2.833	1.291	1.652	2.093	0.944	0.535		0.307	16.264	
2003		6.609	2.833	1.301	1.652	2.093	0.944	0.440		0.275	16.147	
2004		6.609	2.833	1.458	1.652	2.093	0.944	0.491		0.262	16.342	
2005		6.609	2.833	1.602	1.652	2.093	0.944	0.423	0.159	0.028	16.343	
2006		6.609	2.833	1.710	1.652	2.093	0.944	0.423	0.079	0.000	16.343	
2007		6.609	2.833	1.677	1.652	2.093	0.944	0.336	0.198	0.000	16.342	

ALL OVERLAPPING GOVERNMENTS

Fiscal Year Ending June 30	General Fund	Special Revenue Funds	Debt Service Funds	Total City	Southfield Public School	Oakland County Intermediate	Oakland County Operating Levy	Oakland County Community College	Total *	City % of Total	Birmingham Public School +	Oak Park Public School +
1998	11.760	4.203	0.499	16.462 **	30.246	2.129 ++	5.148	1.652	55.668	29.6	19.010	14.300
1999	11.584	4.152	0.492	16.227 **	29.881	2.121 ++	4.986	1.646	54.862	29.6	20.010	14.300
2000	11.137	4.443	0.468	16.048 **	29.665	2.100 ++	4.979	1.630	54.421	29.5	19.700	14.298
2001	10.843	5.223	0.380	16.446 **	28.909	3.453 ++	4.965	1.595	55.368	29.7	18.485	14.272
2002	10.733	5.225	0.307	16.264	28.909	3.453	4.965	1.595	55.738	29.2	18.485	14.273
2003	10.748	5.130	0.275	16.153	28.895	3.422	5.252	1.609	55.331	29.2	17.751	14.173
2004	10.900	5.181	0.262	16.343	27.895	3.400	5.247	1.598	54.481	30.0	16.427	12.310
2005	11.044	5.113	0.187	16.343	27.895	3.379	5.244	1.589	54.449	30.0	18.413	13.000
2006	11.152	5.112	0.079	16.343	27.893	3.369	5.241	1.584	54.430	30.0	18.210	13.000
2007	11.119	5.025	0.198	16.342	27.893	3.369	5.236	1.584	54.424	30.0	17.818	12.890

Notes:

* Southfield Public Schools are used in the example because their portion of taxable assessed valuation (\$2,865,225,040) is the largest in the City. Comparative rates are presented for Birmingham and Oak Park Schools.

** Rate includes 6 mills for state education.

+ Homestead rate used.

+ + Includes Suburban Mobility Authority Regional Transportation (S.M.A.R.T.) tax.

City Of Southfield, Michigan

Special Assessment Billings And Collections Last Ten Fiscal Years

Fiscal Year Ending June 30	Current Assessment Billing					Current Assessments Collected	Ratio Of Collections To Amount Due	Total Assessments Outstanding						
	New Projects	Prior Projects		Total										
		Principal	Interest											
1998	\$	18,186	\$	129,439	\$	41,533	\$	189,158	\$	203,153	108.0	%	\$	559,148
1999		19,167		124,759		32,354		176,280		157,098	90.0			494,989
2000		8,975		88,584		29,528		127,087		111,574	88.0			375,120
2001		5,950		93,105		22,122		121,177		101,646	84.0			304,348
2002		37,504		99,433		18,188		155,125		136,818	88.0			914,959
2003		-		91,637		43,484		135,121		118,973	88.0			770,249
2004		73,282		83,979		45,512		202,773		174,370	85.0			1,162,065
2005		179,710		387,913		48,477		616,100		413,297	67.1			1,127,136
2006		275,999		128,383		62,063		466,445		294,561	63.2			1,084,258
2007		279,137		124,684		60,852		464,673		292,364	62.9			1,071,031

City Of Southfield, Michigan

Computation of Direct and Overlapping Debt at June 30, 2007

		<u>Principal Amount Outstanding</u>	<u>Debt Principal Per Capita (1) (Pop. 78,296)</u>	<u>% Of State Equalized Value \$ 4,305,094,830</u>
DIRECT AND INDIRECT DEBT				
<u>Direct Debt</u>				
General Obligation Bonds-Limited Tax		\$ 4,900,000		
Building Authority Bonds		28,820,000		
Water & Sewer Revenue Bonds		28,478,789		
Michigan Transportation Fund Bonds		12,150,000		
Direct Debt		74,348,789	\$ 949.59	1.73 %
<u>Indirect Debt</u>				
Oakland County Contractual Obligations:				
- Drains At Large	\$ 9,302,518			
- Evergreen/Farmington Sewage Disposal	2,899,385			
Indirect Debt		12,201,903	155.84	0.28
Gross Debt		86,550,692	1,105.43	2.01
<u>Less Deductions</u>				
Funds on hand to repay principal				
Building Authority	7,080			
Drains at Large	608,235			
Total Deductions		615,315	7.86	0.01
Net City Debt		85,935,377	1,097.57	2.00
<u>OVERLAPPING DEBT (2)</u>				
Southfield School District	94.88 %	\$ 94,528,944		
Oak Park School District	23.05	1,811,730		
Birmingham School District	2.75	6,609,350		
Oakland County at Large	6.05	5,870,258		
Oakland County Intermediate School District	6.07	620,354		
Oakland County Community College	6.09	680,558		
Overlapping Debt		110,121,194	1,406.47	2.56
		<u>\$ 196,056,571</u>	<u>\$ 2,504.04</u>	<u>4.55</u>

Notes:

(1) Final 2000 census data from the U.S. Census Bureau.

(2) Overlapping debt figures supplied by the Michigan Advisory Council, Detroit, Michigan.

City Of Southfield, Michigan

Statement of Legal Debt Margin

June 30, 2007

	Debt Margin Calculation			
	Gross	Statutory (1)	Net	Applicable
	Indebtedness	Deductions	Indebtedness	Percentage
				Statutory
				Limit
State Equalized Value at 12/31/05				100 % \$ <u>4,305,094,830</u>
Debt Subject to Statutory Limitation				
General Obligation Bonds-Limited Tax	\$ 4,900,000			
Building Authority Bonds	28,820,000			
Oakland County Contractual Obligations-Drains	9,302,518			
Oakland County Contractual Obligations-Water	<u>2,899,385</u>			
Restricted Indebtedness			\$ 45,921,903	10
Emergency Bonds	-			0.375
Special Assessment Bonds	<u>-</u>			12
Total			\$ 45,921,903	\$ <u>963,264,968</u>
Michigan Transportation Fund Bond			\$ 12,150,000	
State of Michigan Water Supply and Sewage Disposal Revenue Bonds				
Series to 6/30/02				
1998A (LTGO) 2.25%	\$ 1,282,048			
1998B (LTGO) 2.50%	10,025,000			
1999 (LTGO) 2.50%	9,456,741			
2000 (LTGO) 2.50%	<u>7,715,000</u>			
Total Water & Sewage Disposal Revenue Bonds			\$ 28,478,789	
Gross City Debt			\$ <u>86,550,692</u>	

Note:

(1) Deductions are allowed for restricted bond and interest redemption deposits held by fiscal agents.

City Of Southfield, Michigan
Ratio of Net General Debt To Taxable Value
And Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year Ending June 30	Population	Taxable Value	Bonded Debt (1)	Less Funds Available In Debt Service Funds	Net Bonded Debt	Ratio Of Net Bonded Debt To Taxable Value	Net Bonded Debt Per Capita
1998	75,728	\$ 2,514,270,106	\$ 10,059,005	\$ 1,322,519	\$ 8,736,486	0.35%	\$ 115.37
1999	75,728	2,707,964,479	8,442,845	1,539,685	8,442,845	0.31	111.49
2000	76,240	2,825,989,180	7,040,382	1,641,133	5,399,249	0.19	70.80
2001	78,296 (2)	2,929,875,361	37,283,425	2,505,457	34,777,968	1.19	444.19
2002	78,296	3,078,615,673	42,991,736	2,283,942	40,707,794	1.32	519.92
2003	78,296	3,230,941,830	41,391,437	1,931,390	39,460,047	1.22	503.99
2004	78,296	3,268,025,510	49,070,764	1,277,020	47,793,744	1.46	610.42
2005	78,296	3,386,748,000	61,849,781	825,031	61,024,750	1.80	779.00
2006	78,296	3,482,084,152	60,180,237	484,670	59,695,567	1.71	762.43
2007	78,296	3,604,818,967	58,071,903	615,315	57,456,588	1.59	733.84

Ratio of Annual Debt Service Expenditures
For General Bonded Debt to Total General Expenditures
Last Ten Fiscal Years

Fiscal Year Ending June 30	Principal	Debt Service Requirements Interest	Total	Total (3) General Expenditures	Ratio Of Debt Service To Expenditures
1998	\$ 2,757,506	\$ 1,352,533	\$ 4,109,998	\$ 81,972,589	5.0
1999	2,716,949	1,280,963	3,997,912	78,745,705	5.1
2000	2,567,589	924,497	3,492,086	84,105,406	4.2
2001	2,688,985	1,489,067	4,178,052	96,369,159 (4)	4.3
2002	2,143,970	2,320,072	4,464,042	111,434,327 (4)	4.2
2003	2,007,382	2,258,065	4,265,447	115,849,647	3.7
2004	4,108,847 (5)	1,980,810	6,089,657	103,185,170	5.9
2005	1,050,703 (6)	2,124,653	3,175,356	99,418,921	3.2
2006	1,790,844	2,510,103	4,300,947	99,838,380	4.3
2007	2,108,334	2,440,043	4,548,377	102,474,054	4.4

Notes:

- (1) Only includes general obligation debt that is being repaid through general property taxes .
- (2) Final census data from U.S. Census Bureau.
- (3) Includes general, special revenue, capital, and component units.
- (4) See S-1, notes 8-10.
- (5) Includes bond call.
- (6) Excludes bonds defeased in the amount of \$27,175,000.

City Of Southfield, Michigan

Demographic Statistics Last Ten Fiscal Years

Fiscal Year Ending Jun 30	Population (1)	Per Capita Income (2)	Median Age (2)	School Enrollment (3)	Unemployment Rate Percentage (4)	Retail Sales (000) (2)
1998	75,728	22,927	35.2	9,497	2.5	1,964,170
1999	75,728	24,248	35.4	9,539	2.8	2,118,796
2000	76,240	24,983	35.7	9,472	2.5	2,802,830
2001	78,296	27,023	35.9	9,878	4.2	2,764,128
2002	78,296	23,835	35.7	10,195	5.9	2,802,830
2003	78,296	27,023	35.9	10,631	5.9	2,764,128
2004	78,296	23,485	36.2	10,007	5.5	2,342,814
2005	78,296	21,990	36.2	10,099	7.9	2,315,321
2006	78,296	22,501	36.8	9,916	7.7	2,029,972
2007	78,296	28,096 (1)	38.3 (1)	9,205	8.6	2,413,836 (1)

Notes:

(1) 1990/2000 Census Data From U.S. Census Bureau.

(2) Survey of Buying Power: Sales and Marketing Management; New York, N.Y.

(3) Southfield Public Schools, Southfield, Michigan.

(4) Michigan Employment Security Commission.

City Of Southfield, Michigan

Summary of Demand and Savings Deposits By Type of Institution Last Ten Years

Fiscal Year Ending June 30	Deposits (\$000s) (1)				
	Banks	Savings & Loans	Credit Unions	Total	
1998	\$ 1,709,550	\$ 199,631	\$ 251,493	\$	2,160,674
1999	1,749,153	205,497	361,260		2,315,910
2000	1,687,103	201,559	365,564		2,254,226
2001	1,675,724	204,657	413,600		2,293,981
2002	1,740,019	81,884	460,345		2,282,248
2003	2,155,684	64,118	176,305		2,396,107
2004	2,173,735	319,689	180,715		2,674,139
2005	2,531,775	448,226	183,597		3,163,598
2006	3,069,918	464,982	182,939		3,717,839
2007	2,778,771	364,581	199,005		3,342,357

Note:

(1) The deposit information is from F.D.I.C. data contained in
Highline Data: The Branches of Michigan; 2007 Banks,
Savings and Loans, Credit Unions & Savings Banks.

City Of Southfield, Michigan

Construction And Property Value Last Ten Calendar Years

Annual Construction By Category

--- Commercial & Industrial---

<u>Calendar Year</u>	<u>Number Of Units</u>	<u>Value</u>
1998	16	\$ 21,114,531
1999	19	33,246,905
2000	10	26,149,331
2001	22	72,066,172
2002	16	27,292,518
2003	13	26,300,486
2004	8	16,210,000
2005	12	27,060,063
2006	4	12,496,655
2007	16	25,352,632

----- Multi-Family -----

<u>Number Of Units</u>	<u>Value</u>
7	\$ 13,983,121
7	3,541,000
16	6,957,850
16	6,319,025
17	8,574,664
7	4,695,068
8	2,957,145
-	-
4	2,634,073
3	2,820,569

---- Single Family ----

<u>Number Of Units</u>	<u>Value</u>
86	\$ 9,315,118
64	7,352,721
64	8,886,653
38	5,129,541
53	7,892,462
79	15,530,225
69	11,613,829
71	10,531,501
39	7,884,206
42	9,688,170

Property S.E.V. By Category

	<u>Commercial</u>	<u>Industrial</u>	<u>Residential</u>
1998	\$ 1,357,858,040	\$ 42,187,340	\$ 1,126,646,830
1999	1,393,435,480	43,139,320	1,246,109,650
2000	1,546,801,740	52,091,540	1,356,251,860
2001	1,603,662,800	55,278,190	1,500,071,440
2002	1,721,234,450	58,111,090	1,637,374,540
2003	1,773,624,540	60,869,190	1,748,942,310
2004	1,807,791,760	64,334,500	1,855,315,100
2005	1,801,405,640	64,725,410	1,934,412,027
2006	1,811,935,070	59,482,360	1,999,219,340
2007	1,807,018,700	78,808,770	2,042,424,720

City Of Southfield, Michigan

Economic and Statistical History

June 30, 2007

AREA

26.7 square miles (since incorporation)

POPULATION

U.S. CENSUS Age Distrib.	1980 Number	%	1990 Number	%	2000 Number	%
24 and under	24,701	32.7	22,101	29.2	23,089	29.5
25 through 64	39,775	52.6	40,777	53.8	43,319	55.3
65 and older	11,092	14.7	12,850	17.0	11,888	15.2
Total Persons	75,568	100.0	75,728	100.0	78,296	100.0
<u>Income Distrib.</u>	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>
\$ 5,000 and under	1,652	5.6	1,097	3.4		
5,000 - 9,999	2,543	8.6	1,774	5.5	2,242	6.6
10,000 - 14,999	3,038	10.2	1,951	6.1	1,412	4.2
15,000 - 24,999	6,634	22.4	3,988	12.4	3,495	10.3
25,000 and over	15,798	53.2	23,331	72.6	26,822	78.9
Total						
Households	29,665	100.0	32,141	100.0	33,971	100.0

BUILDING CONSTRUCTION

Year	Permits	Value	Year	Permits	Value
1998	1,215	98,718,600	2003	1,231	109,138,521
1999	1,571	102,308,381	2004	1,368	78,239,744
2000	1,627	95,642,461	2005	1,263	110,358,912
2001	1,460	129,443,898	2006	1,259	80,260,782
2002	1,461	99,472,942	2007	1,030	100,553,384

Economic and Statistical History (cont.)

WATER & SEWER SERVICES

Users/Consumers: 19,288 Water and Sewer combined; 167 Sewer only.
 Use & Consumption: 531,750,600 cubic feet purchased
 System Capacity: 34 million gallons per day (MGD)
 Distribution System: Southeastern Oakland County Water Authority consisting of 11 communities.
 Ten are active with their own systems.
 Water Mains: 354.80 miles
 Fire Hydrants: 3,570
 Sewer Mains: 205.19 miles sanitary; 61.38 miles storm; 39.93 miles combined.

PRINCIPAL TAXPAYERS

As certified at December 31, 2005 for the tax roll applicable to the 2006-07 fiscal year.

	Taxable Valuation		
1 BRE Southfield	\$	110,172,230	3.1%
2 Forbes - Cohen/Nemer Associates		54,558,110	1.5
3 TTERTT Associates, LLC		44,324,330	1.2
4 New Par/Verizon Wireless		41,497,900	1.1
5 Liberty Properties		36,473,850	1.0
6 Detroit Edison		36,439,400	1.0
7 Allied Phase One Venture		32,845,410	0.9
8 Hartman & Tyner Incorporated		32,378,630	0.9
9 Nippondenso Sales Incorporated		31,336,690	0.9
10 Ramco-Gershenson Incorporated		30,110,840	0.8
11 American Center Acquisition		28,553,920	0.8
12 AT&T Services, Inc		27,332,920	0.8
13 Wilmington Trust Company		24,471,500	0.7
14 Teachers Michigan Properties		20,545,900	0.6
15 MacCabees Mutual Life		18,231,030	0.5
16 Lear Corporation		17,360,507	0.5
17 GP Northland Center		17,133,960	0.5
18 Southfield Hospitality		16,787,810	0.5
19 Raleigh Officenter Associates		16,375,110	0.4
20 Sutton Place Associates		14,486,730	0.4
SUB-TOTAL		651,416,777	18.1
All Other Taxpayers		2,953,402,190	81.9
TOTAL ASSESSED VALUE	\$	3,604,818,967	100.0%

STREET FACILITIES

Streets: Total 245.73 miles, with 64.71 miles on the Major Street System and 180.02 miles on the Local Street System. Less than 5 miles remain unpaved.
 Alleys: Total under five miles.
 Sidewalks: Total 201.29 miles including ten miles of paved bike paths.
 Street Lights: Total 1,720.

Economic and Statistical History (cont.)

PUBLIC SAFETY

Public Safety is organized for efficiency into three areas of overall administration and communications (PSA), police and fire.

Vehicles	P.S.A.	Police	1st Line/ Fire Reserve
Cars	2	94	7/0
Trucks	-	1	9/2
Life Support Vans, 4WD, etc.	-	-	4/3
	-	19	8/0
Total	2	114	28/5

Facilities: One main Public Safety Building housing Police, Civilian Support Services and Emergency Management, as well as a 36-cell detention facility operated by the Oakland County Sheriff's Department.

POLICE PROTECTION

Please note that the Southfield Police Department now uses the new Michigan Incident Crime Reporting System (MICR).

Under this system Group A Offenses: (serious incidents, which carry maximum penalty under the law) has replaced what used to be known as Part I crimes. Group B offenses contain the less serious, yet still arrestable crimes which used to be known as Part II crimes.

Group A Offenses: (murder, manslaughter, rape, robbery, aggravated assault, breaking and entering, larceny, auto theft, arson, kidnapping/abduction, forgery, fraud, embezzlement, receiving and concealing stolen property, vandalism, weapons violations, commercialized sex, drug law violations, gambling).

Group B Offenses: (fraud, non-forcible sexual, non-violent family, drunk driving, liquor law violations, obstruction, disorderly conduct, arrestable traffic).

Law Violations: Group A Offenses - 8,583
 Group B Offenses - 4,263

Traffic Violations: 32,780

Incidents Handled: 86,361

FIRE PROTECTION

Alarms Answered: 10,798 runs

Medical Emergency: 8,774 runs

PARKS & RECREATION

The Parks and Recreation Department is responsible for 780 acres of park land and open space at 33 sites within the City. The addition of the Carpenter Lake Nature Park (set to officially open in the summer of 2008 with plans underway for a Nature Center to be added to the site), and the Berberian property means that over 333 acres within the city are dedicated nature preserves. The Department offers hundreds of recreation programs at facilities which include 2 nine-hole golf courses, a lighted driving range, a 50-meter outdoor swimming pool, a senior adult center, an indoor athletic field house, an indoor ice arena and a neighborhood recreation center. There are numerous ball fields, tennis and handball courts, picnic areas

Economic and Statistical History (cont.)

PARKS & RECREATION (continued)

and shelters, soccer fields, play lots and sand volleyball courts located throughout the City for residents' enjoyment.

The Department is also responsible for a number of historical properties including the Burgh Historical Park, the Miller Barn at Inglenook Barn and the Mary Thompson Farmhouse. The Burgh Historical Park includes an outdoor gazebo and six historic buildings which bustle with activities, including concerts, weddings, and a variety of other family and community events. The Burgh's 1854 Methodist Church is home to the City's SRO Productions civic theater company, now in its fifteenth season. The Mary Thompson Farmhouse was restored as a museum and is home to the Southfield Historical Society. The Senior Gardens at the Mary Thompson Farm provide plots to nearly 100 enthusiastic gardeners who offer tours to school and scouting groups. The Senior Gardens have been recognized as one of the best community gardens in the nation by the John Deere Company.

The Department offers many programs for disabled athletes including the Miracle League, a baseball program for disabled youth, and the Jr. Thunderbirds Wheelchair Basketball Program. Golf programs have been expanded to include youth programs such as Michigan First Tee and Midnight Golf, along with the PGA sponsored GAIN program for disabled golfers.

In addition to day-to-day programming for all Southfield residents, the Parks and Recreation Department is also focused when it comes to special events, including the Star Spangled Southfield fireworks event. The Department held the 1st Annual Southfield Sports Festival in June in celebration of the City's 50th Anniversary. The three-day event featured a Gus Macker 3-on-3 basketball tournament, soccer tournament, kids triathlon, 5K road run/walk plus volleyball, tennis, softball and bowling events. Quality entertainment is offered year-round with a variety of concert series including the popular free outdoor concerts held throughout the summer at the Burgh Gazebo and Eat to the Beat noontime series at City Centre. The Department has received many national awards for excellence in recreational programming, as well as for beautification and environmental maintenance and programming. The Parks and Recreation Department is currently involved in developing a new 5 year Master Plan with input from resident and businesses that will help guide the Department's future endeavors.

LIBRARY

On March 9, 1999, the voters of Southfield approved a millage increase to a new limit of 2.2 mills to construct and operate a new Southfield Public Library. The new facility opened in June, 2003, on time and under budget. The building has many amazing special touches including a drive up window, fountain, Seuss art collection, five-story Tower Lobby, fireplaces on each floor and beautiful meeting rooms that set the tone for inspiring, productive visits.

The Southfield Public Library, located at the Southfield Civic Center, is one of Michigan's busiest. More than 2,500 patrons per day utilize the facility, which houses a book collection in excess of 260,000 volumes, with over 10,000 foreign films, theatrical movies and documentaries. The Library also provides the community with music CDs, audio books, periodicals and e-books. Southfield's reference collection is one of the most comprehensive in Michigan with an internationally linked computer business reference service to assist the community's large business population.

The Library provides excellent service to corporate and residential citizens through traditional library services, while taking advantage of the most advanced computer technology to make global information available to residents and businesses. We offer broadband grade speeds to the Internet through 190 public computer terminals and Wi-Fi access. Patrons may access information covering such disciplines as business, finance, technology, science, humanities, public affairs, the arts, and general news.

This wealth of information is available not just within the Library, but at home, business, or school as well with a computer connection, or by calling and asking a question.

The Southfield Public Library provides a full range of programs to meet the needs of residents and businesses. Programs include Preschool Story Time, Opera Series, Super Science Saturdays, Battle of the Books, several literary and poetry series, as well as consumer-oriented information and health topics.

City Of Southfield, Michigan

History of Constitutional Tax Rate Rollback Factors Required Under Proposal E (The "Headlee" Amendment) Ratified November 7, 1978

Fiscal Year Ending June 30	Preceding Year's TAV	-	Losses	X	CPI	=	TAV Ceiling	Actual TAV	-	New TAV	=	Adjusted TAV	Ratio (1)	Rollback Factor (2)
1998	\$ 2,425,365,701		\$ 77,238,690		1.028		\$ 2,413,874,567	\$ 2,514,270,106		\$ 111,665,000		\$ 2,402,605,106	1.0047	0.9938
1999	2,514,270,106		59,865,637		1.027		2,520,673,390	2,707,964,479		167,080,300		2,540,884,179	0.9920	0.9858
2000	2,707,964,479		124,212,523		1.016		2,625,091,987	2,825,989,180		173,090,804		2,652,898,376	0.9895	0.9754
2001	2,825,989,180		137,447,971		1.019		2,739,623,492	2,929,875,361		114,894,355		2,814,981,006	0.9732	0.9492
2002	2,929,875,361		132,984,677		1.032		2,886,391,186	3,078,615,673		176,560,727		2,902,054,946	0.9946	0.9440
2003	3,078,615,673		116,702,592		1.032		3,056,694,300	3,230,941,830		180,893,047		3,050,048,783	1.0022	0.9440
2004	3,230,941,830		137,098,147		1.015		3,140,251,338	3,268,025,510		169,450,040		3,098,575,470	1.0135	0.9440
2005	3,268,025,510		102,696,868		1.023		3,238,131,201	3,386,748,000		197,099,758		3,189,648,242	1.0152	0.9440
2006	3,386,748,000		113,723,281		1.023		3,348,304,288	3,482,084,152		136,257,076		3,345,827,076	1.0007	0.9440
2007	3,482,684,152		86,930,522		1.033		3,507,193,700	3,604,818,967		140,348,534		3,464,470,433	1.0123	0.9440

Notes:

(1) Ratio of TAV ceiling to adjusted TAV.

(2) The rollback factor is intended to provide local taxing units with a tax revenue ceiling, equal to 1978 authorized millage rates times 1978 assessments increased only by the official Consumer Price Index (CPI) index plus new construction. Any excess property tax authority above this ceiling is "rolled back" through application of a millage reduction fraction. The 1978 base millage reduction fraction was 1.000, which becomes the upper limit for future factors. As a compound millage reduction factor, the factor for one year is the product of the rollback factor of the previous year multiplied by the ratio of inflated taxable assessed value (TAV) divided by adjusted TAV of the current year. The inflated TAV for any year is calculated by multiplying the TAV of the previous year by the consumer price index for that year. This is compared to the adjusted TAV or the actual TAV for that year less net new construction (additions minus losses).

City Of Southfield, Michigan

General Fund Balance Compared To Annual Expenditures Last Ten Fiscal Years

Fiscal Year Ending June 30	Undesignated Fund Balance	Annual Expenditures	Balance As Percent Of Expenditures
1998 \$	5,824,044	\$ 51,212,712	11.4
1999	6,723,665	50,938,783	13.2
2000	7,246,646	52,605,432	13.8
2001	7,316,869	54,206,915	13.5
2002	7,545,390	55,256,370	13.7
2003	3,841,110	58,064,585	06.6
2004	2,972,962	61,147,556	04.9
2005	5,711,531	61,159,478	09.3
2006	5,922,094	61,966,586	09.6
2007	5,946,729	62,582,301	09.5

City of Southfield, Michigan

Authorized Positions (FTE's) 1998-99 / 2006-07

Department	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	06-07
Accounting	9.00	9.00	9.00	9.00	9.00	8.40	8.40	8.40	7.50
Administration	5.00	5.00	5.00	5.00	5.00	4.00	4.00	2.00	2.00
Assessing	11.50	11.50	11.50	11.50	11.50	11.15	11.15	10.65	10.65
Building	21.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00
Cable TV	7.00	7.00	8.00	8.00	8.00	7.00	7.00	7.00	7.00
Central Services	4.00	4.00	4.00	4.00	6.00	6.00	6.00	7.00	7.00
City Clerk	9.50	9.50	11.00	11.00	11.00	11.00	11.00	11.00	11.00
City Council	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Civilian Operations/Commun. ⁽¹⁾	49.89	25.00	25.00	25.00	25.00	25.00	25.00	24.00	24.00
Community Develop. Admin. ⁽²⁾	13.50	12.50	16.50	16.50	16.50	14.00	15.00	13.00	13.00
Community Relations	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
District Court	40.00	40.00	40.00	40.00	40.00	40.00	40.00	39.00	39.50
Emergency Management ⁽³⁾	-	-	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Engineering	9.00	10.00	10.00	10.00	11.00	10.00	11.00	11.00	10.00
Facilities Maintenance	36.76	40.26	39.26	39.26	39.26	44.26	44.26	44.26	42.26
Financial Services/OMB	4.00	5.00	5.00	5.00	3.00	3.00	3.00	3.00	3.00
Fire ⁽¹⁾	110.00	113.00	114.00	114.00	114.00	114.00	114.00	113.00	113.00
Human Resources ⁽⁴⁾⁽⁵⁾	9.00	9.50	17.75	17.75	17.75	18.75	11.00	9.00	9.00
Human Services	7.00	6.50	6.50	6.50	5.50	5.50	5.50	4.50	4.50
Labor Relations	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Legal	10.00	10.00	10.00	10.00	10.00	10.00	10.00	9.00	8.00
Library	39.00	39.00	40.50	40.50	40.50	64.50	64.50	64.50	61.50
Mayor	2.00	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Motor Pool	15.00	15.00	14.00	14.00	14.00	14.00	14.00	15.00	15.00
Parks And Recreation	112.27	112.27	112.27	112.27	112.27	110.27	101.80	93.80	92.80
Planning	8.00	8.00	8.00	8.00	7.00	7.00	7.00	7.00	7.00
Police ⁽¹⁾⁽⁶⁾	161.00	181.89	185.89	186.89	186.89	186.89	186.89	182.89	177.66
Public Works Admin.	8.50	8.50	8.50	8.50	7.50	7.00	7.00	7.00	6.00
Purchasing	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Retirement Administration ⁽⁷⁾	-	-	-	-	-	1.00	1.00	-	-
Streets And Highways	28.62	28.62	31.62	31.62	31.62	31.62	31.62	36.62	36.62
Support Services	-	-	-	-	-	-	-	-	-
Technology Services ⁽⁸⁾	10.50	10.50	10.50	10.50	11.50	11.50	11.50	11.50	11.00
Transportation	5.76	5.76	5.76	5.76	5.76	4.76	4.76	4.76	4.76
Treasurer	9.00	10.00	10.00	10.00	10.00	8.60	8.60	8.60	8.50
Water And Sewer	<u>29.08</u>	<u>29.08</u>	<u>31.08</u>	<u>32.08</u>	<u>32.08</u>	<u>31.08</u>	<u>31.08</u>	<u>31.08</u>	<u>30.08</u>
Totals	<u>801.88</u>	<u>806.88</u>	<u>832.13</u>	<u>834.13</u>	<u>833.13</u>	<u>851.78</u>	<u>837.56</u>	<u>820.06</u>	<u>803.83</u>

Notes:

⁽¹⁾ Effective July 1, 1999, department title was changed from Civilian Support Services to Civilian

Operations/Communications and personnel/divisions decentralized to Police and Fire Departments' budgets.

⁽²⁾ Four contractual grants administration positions were recognized as career positions in 2000-01.

⁽³⁾ New Department in 2000-01. Function was previously a part of the Police Department.

⁽⁴⁾ Effective July 1, 1998, department title was changed from Personnel to Human Resources.

⁽⁵⁾ Eight contractual daycare positions were recognized as career positions in 2000-01. In 2004-05, those eight positions were eliminated upon the closing of the daycare.

⁽⁶⁾ Three grants funded police officer positions were recognized as permanent career positions in 2000-01.

⁽⁷⁾ New Department in 2003-04 and eliminated in 2005-06.

⁽⁸⁾ Effective July 1, 2003, department title was changed from Information Services to Technology Services.

City Of Southfield, Michigan

Insurance Coverage June 30, 2007

POLICY/CARRIER/COVERAGE (1)

- I. **General Liability Coverage** - Michigan Municipal Risk Management Authority (MMRMA)
 - A. \$15 million each occurrence bodily injury, personal injury, property damage, public officials and law enforcement liability, and statutory Michigan "no fault" on owned automobiles.
 - B. The MMRMA program is approved and regulated by the Michigan Insurance Bureau. It was established in 1982 under Michigan Public Act 138.
- II. **Property & Other** - Michigan Municipal Risk Management Authority, and various other carriers
 - A. Property: \$143.7 million virtual all-risk protection on real and personal property. Coverage for public employee faithful performance, valuable papers/records, and extra expense/loss of earnings also are provided.
 - B. Other: Various specific purpose bonds, special events policies, fiduciary liability, and other coverage are provided to meet the operating needs of the City while protecting its financial interests.
- III. **Workers' Compensation** - Great American Insurance Companies (2)
 - A. Michigan statutory benefits.
 - B. \$100,000 employer's liability protection.

Notes:

- (1) Coverage description is general and subject to change. No attempt has been made to reflect deductible provisions or overlapping coverage or interrelationships. Only the formal policies can do this. The insurance coverage outlined are part of an overall risk management strategy outlined in Note 4 C.
- (2) Great American Insurance Company's financial strength profile is rated A (excellent) by Best's Insurance Reports, and the origin of the company dates back to the year 1872.

City of Southfield, Michigan
Management Group (Exempt) Personnel
Salary Schedule July, 2006

<p>Grade E - U, \$97,969 - \$132,547 Deputy City Administrator/Fiscal Services Director</p>
<p>Grade E - T, \$91,839 - \$124,253</p>
<p>Grade E - S, \$87,678 - \$118,629 Director of Public Works Director of Planning & Economic Development Police Chief</p>
<p>Grade E - R, \$81,757 - \$110,613 Deputy Director - Public Works/Operations Director of Community Relations Director of Parks and Recreation Director of Staff Services/Human Resources Fire Chief</p>
<p>Grade E - Q, \$77,670 - \$105,084 City Librarian City Controller/Deputy City Treasurer Director of Technology Services</p>
<p>Grade E - P, \$74,135 - \$100,299 Attorney IV City Assessor City Engineer Human Services Director</p>
<p>Grade E - O, \$67,563 - \$91,407</p>
<p>Grade E - N, \$61,793 - \$83,602 Attorney III Deputy City Assessor Deputy City Clerk Deputy City Librarian Deputy City Planner Deputy City Treasurer Labor Relations Director Purchasing Agent</p>
<p>Grade E - M, \$56,825 - \$76,884 Attorney II</p>
<p>Grade E - L, \$52,444 - \$70,954 Attorney I</p>

(This page left intentionally blank.)

City of Southfield, Michigan

**Federal Awards
Supplemental Information
June 30, 2007**

Independent Auditor's Report	I
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	2-3
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	4-6
Schedule of Expenditures of Federal Awards	7
Notes to Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	9-21
Summary Schedule of Prior Year Audit Findings	22

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Southfield, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Southfield, Michigan (the "City") as of and for the year ended June 30, 2007, which collectively comprise the City of Southfield, Michigan's basic financial statements, and have issued our report thereon date October 20, 2008. Those basic financial statements are the responsibility of the management of the City of Southfield, Michigan. Our responsibility was to express opinions on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Southfield, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

October 20, 2008

Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council
City of Southfield, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Southfield, Michigan as of and for the year ended June 30, 2007, which collectively comprise the City of Southfield, Michigan's basic financial statements, and have issued our report thereon dated October 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Southfield, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion(s) on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Southfield, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Southfield, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the control deficiencies described in the accompanying schedule of findings and questioned costs as items 2007-1 through 2007-10 to be significant deficiencies in internal control over financial reporting.

To the Honorable Mayor and
Members of the City Council
City of Southfield, Michigan

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe the deficiencies described in the schedule of findings and questioned costs as items 2007-1 through 2007-7 constitute material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Southfield, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City of Southfield, Michigan's responses to the significant deficiencies and findings relating to compliance and other matters identified in our audit and described in the accompanying schedule of findings and questioned costs have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City Council, management, officials of the State of Michigan, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 20, 2008

**Report on Compliance with Requirements Applicable to Each Major Program and on
Internal Control Over Compliance in Accordance with OMB Circular A-133**

To the Honorable Mayor and
Members of the City Council
City of Southfield, Michigan

Compliance

We have audited the compliance of the City of Southfield, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. The major federal programs of the City of Southfield, Michigan are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Southfield, Michigan's management. Our responsibility is to express an opinion on the City of Southfield, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Southfield, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Southfield, Michigan's compliance with those requirements.

In our opinion, the City of Southfield, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. The results of our auditing procedures disclosed instances of noncompliance with the requirements that are required to be reported in accordance with OMB Circular A-133, which are described in the accompanying schedule of findings and questioned costs as items 2007-11 and 2007-12.

To the Honorable Mayor and
Members of the City Council
City of Southfield, Michigan

Internal Control Over Compliance

The management of the City of Southfield, Michigan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Southfield, Michigan's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2007-1, 2007-2, 2007-9, 2007-10, 2007-11, and 2007-12 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 2007-1, 2007-2, 2007-11, and 2007-12 to be material weaknesses.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Southfield, Michigan's responses and, accordingly, we express no opinion on them.

To the Honorable Mayor and
Members of the City Council
City of Southfield, Michigan

This report is intended solely for the information and use of the City Council, management, officials of the State of Michigan, federal awarding agencies, and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

December 30, 2008

City of Southfield, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development:		
Community Development Block Grants -	14.218	\$ 180,672
SHIP (Southfield Home Improvement Program) and other income:		
2003 Entitlement - B-03-MC-260012	14.218	479
2004 Entitlement - B-04-MC-260012	14.218	118
2006 Entitlement - B-06-MC-260012	14.218	423,074
2007 Entitlement - B-07-MC-260012	14.218	275,362
Section 8 Housing Choice Vouchers Program	14.871	<u>1,215,736</u>
Total U.S. Department of Housing and Urban Development		2,095,441
U.S. Department of Health and Human Services - Michigan Works - Passed through Oakland County - Private Industrial Council:		
Temporary Assistance to Needy Families	93.558	141,008
Temporary Assistance to Needy Families	93.558	265,913
Work First Employment Related Services	93.558	<u>18,372</u>
Total U.S. Department of Health and Human Services		425,293
U.S. Department of Labor - Michigan Works - Passed through Oakland County - Private Industrial Council:		
Employment Services	17.207	247,372
Workforce Investment Act - Adult Program	17.258 (1)	523,030
Workforce Investment Act - Youth Activities	17.259 (1)	168,768
Workforce Investment Act - Dislocated Workers	17.260 (1)	511,346
Workforce Investment Act - Administration	17.260 (1)	51,967
Workforce Investment Act - One Stop	17.260 (1)	71,064
Workforce Investment Act - Incumbent Worker	17.260 (1)	118,247
Dislocated Worker Scholarships	17.260 (1)	<u>25,000</u>
Total U.S. Department of Labor		1,716,794
U.S. Department of Homeland Security:		
Assistance to Firefighters Grant Program	97.044	19,294
Passed through Michigan Department of State Police:		
Emergency Management Performance Grant	97.042	19,721
State Domestic Preparedness Equipment Support Program	97.004	<u>36,148</u>
Total U.S. Department of Homeland Security		75,163
U.S. Department of Justice:		
Direct - Edward Byrne Memorial Justice Assistance Grant #06-DJ-BX-0417	16.738	39,485
Passed through Michigan Department of Community Health - Byrne Formula Grant	16.579	<u>52,731</u>
Total U.S. Department of Justice		92,216
U.S. Department of Transportation, Federal Highway Administration - Passed through Michigan Department of Transportation - Highway Planning and Construction 2005	20.205	<u>70,653</u>
U.S. Environmental Protection Agency - Passed through the County of Wayne - Surveys, Studies, Investigations, and Special Purpose Grants	66.606	<u>367,097</u>
Total federal awards		<u><u>\$ 4,842,657</u></u>

(1) Denotes the Workforce Investment Act Cluster

City of Southfield, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Southfield and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Subrecipient Awards

Of the federal expenditures presented in the schedule of expenditures of federal awards, federal awards were provided to subrecipients as follows:

Federal Program Title	Subrecipient	Amount Provided to Subrecipients
Community Development Block Grant	Fair Housing	\$ 1,270
	HAVEN	13,000
	Accounting Aid Society	4,000
	Common Ground Sanctuary	3,000
	Total subrecipient awards	<u>\$ 21,270</u>

City of Southfield, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☒ Yes ☐ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ☒ Yes ☐ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☒ Yes ☐ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.871	Section 8 Housing Choice Voucher Program
17.258, 17.259, 17.260	Workforce Investment Act Cluster
66.606	Wet Weather Grant Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

City of Southfield, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Section II - Financial Statement Audit Findings

Reference Number	Findings
2007-I	<p>Lack of Timely Bank Reconciliations</p> <p>Finding Type - Material weakness</p> <p>Criteria - Bank reconciliations should be prepared on a timely basis within the City's framework of its internal control structure.</p> <p>Condition - Bank reconciliations were not prepared timely for all of the City's accounts.</p> <p>Context - The lack of preparation of timely bank reconciliations resulted in material unknown differences in year-end balances between the general ledger and the statements of the bank.</p> <p>Effect - While misappropriations of assets were not found during the City's audit, untimely preparation of bank reconciliations increases the risk for misappropriation to occur. Additionally, the City could not readily support all of the general ledger cash balances at year end.</p> <p>Cause - The City does not have a process in place to ensure timely reconciliations are prepared.</p> <p>Recommendation - We encourage the City to review current procedures and implement the changes necessary to ensure that timely bank reconciliations are prepared.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City reviewed its bank reconciliation process and is in the process of establishing controls to ensure a plan is in place to work toward timely reconciliations preparation. The bank accounts have now been materially reconciled for the year ended June 30, 2007.</p>

City of Southfield, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
2007-2	<p>Segregation of Duties</p> <p>Finding Type - Material weakness</p> <p>Criteria - Adequate segregation of duties should be a main component within the City's framework of its internal control structure.</p> <p>Condition - The City does not have adequate segregation of duties. One individual was responsible for preparing bank reconciliations, preparing journal entries, reconciling the cash drawers, preparing the bank deposit, and had the ability to take the deposit to the bank and initiate wire transfers.</p> <p>Context - The lack of adequate segregation of duties could result in misappropriation of assets and/or fraudulent financial reporting.</p> <p>Effect - While misappropriation of assets and fraudulent financial reporting were not found during the City's audit, there is potential risk when there is inadequate segregation of duties.</p> <p>Cause - The City does not have adequate segregation of duties relating to the authorization, handling, and recording of cash transactions.</p> <p>Recommendation - We encourage the City to review current procedures and implement the changes necessary to ensure adequate segregation of duties within the cash cycle. The City should consider separating the safekeeping of cash from the financial recording of cash.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City will review its process and establish controls to ensure adequate segregation of duties within the cash cycle.</p>

City of Southfield, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
2007-3	<p>Accounting for Tax Collections and Some Lock Box Collections</p> <p>Finding Type - Material weakness</p> <p>Criteria - The City is responsible for reconciling cash amounts as they come into the City's accounts and are held in trust for the other taxing units until disbursed. The City should incorporate the use of the City's general ledger software system for all dollars collected. Establishing a separate fiduciary account and setting these entries up as recurring in the City's general ledger system will help to promote accuracy and timeliness of financial data recorded in the general ledger throughout the year.</p> <p>Condition - The City did not account for property taxes collected but held in trust for other taxing units during the year on the City's general ledger software nor did it account for certain lock box collections.</p> <p>Context - The lack of accounting for these dollars on the general ledger could result in an error on the financial statements.</p> <p>Effect - The financial records are not properly stated throughout the year.</p> <p>Cause - The City did not account for property taxes collected but held in trust for other taxing units during the year on the City's general ledger software.</p> <p>Recommendation - We encourage the City to account for and reconcile property taxes collected but held in trust for other taxing units during the year on the City's general ledger software.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City established a process subsequent to year end to ensure property tax collections are recorded on the general ledger as collected.</p>

City of Southfield, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
2007-4	<p>Miscellaneous Deposits</p> <p>Finding Type - Material weakness</p> <p>Criteria - The deposits subledger should be reconciled to the general ledger throughout the year.</p> <p>Condition - The City's miscellaneous deposits did not reconcile to the general ledger during the year.</p> <p>Context - The lack of accounting for and reconciling of the miscellaneous deposits could result in an error on the financial statements.</p> <p>Effect - The financial records are not properly stated throughout the year.</p> <p>Cause - Financial statement audit findings noted above as well as the understaffing in some City departments contributed to the delay.</p> <p>Recommendation - The City should account for or reconcile the miscellaneous deposits detail to the general ledger during the year.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City is in the process of fully reconciling all deposit subledgers to the general ledger to ensure all deposit amounts are properly reflected on the general ledger during the year.</p>

City of Southfield, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
2007-5	<p>Account and Capital Asset Reconciliations</p> <p>Finding Type - Material weakness</p> <p>Criteria - All accounts should be reconciled to the general ledger throughout the year on a timely basis within the City's framework of its internal control structure.</p> <p>Condition - The City's capital asset detail and various other account detail did not reconcile to the general ledger during the year.</p> <p>Context - The lack of accounting for and reconciling of the capital assets and other accounts could result in an error on the financial statements.</p> <p>Effect - The financial records were not properly stated throughout the year and the year-end reconciliations resulted in a prior period adjustment, as well as numerous journal entries throughout the audit process.</p> <p>Cause - Financial statement audit findings noted above as well as the understaffing in some City departments contributed to the delay.</p> <p>Recommendation - The City should account for or reconcile the capital asset accounts detail and other account detail to the general ledger during the year.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City has fully established its capital asset software subsequent to this report date and believes it is adequately accounting for fixed asset records including the depreciation calculation. The City is in the process of fully reconciling all account detail to the general ledger throughout the year to ensure accounts are properly reflected on the general ledger during the year.</p>

City of Southfield, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
2007-6	<p>Remote Location Cash and Credit Card Reconciliation</p> <p>Finding Type - Material weakness</p> <p>Criteria - All cash collections and credit charges from remote locations should be fully supported by documentation when brought to the City location. This will ensure that the activity from that location can be reconciled on a timely basis including the anticipated credit card charges that should be coming through on the bank statements. This reconciliation would ensure all revenue is properly received and recorded on a timely basis to ensure the process is operating within the City's framework of its internal control structure.</p> <p>Condition - It was noted at one remote location tested during the audit period that the credit card support was not being provided to the City when the credit charges occurred. It was also noted that the internal controls over cash receipt procedures and vendor payments were not adequate at that location.</p> <p>Context - The lack of accounting for and reconciling the revenue from this remote location could result in an error on the financial statements and the lack of adequate controls over cash receipt procedures could result in misappropriation of assets and/or fraudulent financial reporting.</p> <p>Effect - It was noted that various credit card charges at the remote location were never submitted for payment to the credit card company and, due to the lack of support sent over to the City accounting department, these amounts were not followed up on to ensure payment was received. This resulted in lost revenue to the remote location. In addition, the poor control over cash receipt procedures at this location could have resulted in a missappropriation of assets or fraudulent financial reporting which is a potential risk when there is inadequate internal controls over an asset.</p> <p>Cause - The staff in place during the time period did not appear to be have adequate skills for the job requirements at the remote location.</p> <p>Recommendation - The City should review its procedures at remote locations to ensure that City procedures are being followed and internal controls of revenue collections are adequate.</p>

City of Southfield, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
2007-6 (Cont'd)	Views of Responsible Officials and Planned Corrective Actions - This remote location, The Cornerstone Development Authority, has replaced the staff in place during the time period that these items occurred and hired an outside firm to fully review its procedures to ensure proper procedures are incorporated at this location going forward.

Reference Number	Findings
2007-7	State Reporting Deadline Finding Type - Material weakness Criteria - The City's basic financial statements need to be filed with the State of Michigan within six months after the City's fiscal year end. This date would be December 31, 2007 for the City of Southfield, Michigan. Condition - The City's basic financial statements were not completed in a timely manner and, therefore, the audit deadline was not met. Context - The untimeliness of the preparation of the City's basic financial statements could result in a loss of state revenue-sharing money. Effect - The City's basic financial statements were not completed in a timely manner. Cause - Financial statement audit findings noted above as well as the understaffing in some City departments contributed to the delay. Recommendation - We encourage the City to review its process and controls over financial reporting and to prioritize the workload of the staff that are key to the financial statement audit process. Views of Responsible Officials and Planned Corrective Actions - The City will review its process and establish controls over its financial reporting.

City of Southfield, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
2007-8	<p>Special Assessments</p> <p>Finding Type - Significant deficiency</p> <p>Criteria - Special assessments should be assessed equal to the total project costs.</p> <p>Condition - The City has a portion of special assessment dollars that may need to be refunded.</p> <p>Context - The City may have over-assessed its special assessments.</p> <p>Effect - The City has a portion of special assessment dollars that may need to be refunded. The City did review projects that could have resulted in material refunds, determining that refunds for those projects were not required; however, there are still some projects that have not been reviewed to determine if refunds are needed. While these projects will not result in material refunds, such amounts could still be significant.</p> <p>Cause - The total amount assessed by the City for special assessments appears to be in excess of the total project costs, which could result in the need for refunds.</p> <p>Recommendation - We encourage the City to review current procedures and implement the changes necessary to ensure special assessments are not assessed in excess of project costs.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City will review its process and establish controls to ensure adequate assessing of special assessments.</p>

City of Southfield, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
2007-9	<p>Approval and Review of Journal Entries</p> <p>Finding Type - Significant deficiency</p> <p>Criteria - Journal entries should be approved and reviewed.</p> <p>Condition - Journal entries are not approved or reviewed.</p> <p>Context - The lack of approval and review of journal entries could result in fraudulent financial reporting or misappropriation of assets.</p> <p>Effect - There could be a potential risk that the financial statements are misstated.</p> <p>Cause - There was no approval or review of the journal entries that were posted throughout the year.</p> <p>Recommendation - We encourage the City to review its process and controls to consider the approval and review of journal entries.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City will review its process and establish controls for journal entries posted.</p>

City of Southfield, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
2007-10	<p>Fund Balances in Special Revenue Grant Funds</p> <p>Finding Type - Significant deficiency</p> <p>Criteria – Typically, reimbursement-type grants would not result in a fund balance.</p> <p>Condition - Certain Special Revenue Grant Funds had a fund balance at year end.</p> <p>Context - The City was understaffed in some of the grant departments during this fiscal year which resulted in a delay in grant dollar allocations. In addition, these certain Grant Fund balances are in the process of being reconciled to ensure all dollars truly represent grant dollars versus General Fund dollars transferred into the funds to cover costs not covered by grant dollars.</p> <p>Effect - There could be additional dollars available to the General Fund once these balances are fully reconciled and grant dollars were delayed in being distributed to qualified applicants and events.</p> <p>Cause - The grant department was understaffed for a period of time during the audit process and fund balance detail was not always tracked to ensure all amounts were grant dollars versus General Fund dollars.</p> <p>Recommendation - We encourage the City to review its staff level to ensure grants are able to be administered in a timely fashion. In addition, the City should account for and reconcile the fund balance within Grant Funds to ensure there is a clear separation between grant monies versus City dollars.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City has restricted the fund balance use solely for grant functions and is in the process of a full reconciliation of this balance. In addition, the City has hired additional individuals to timely administer grant dollars received.</p>

City of Southfield, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Section III - Federal Program Audit Findings

Findings 2007-1, 2007-2, 2007-9, and 2007-10 under Financial Statement Audit Findings are also considered to be federal program audit findings given their overarching nature.

Reference Number	Findings
2007-11	<p>Reporting Deadline</p> <p>Finding Type - Material noncompliance, material weakness</p> <p>Criteria - The City's report of federal awards need to be filed with the Federal Audit Clearinghouse within nine months after the City's fiscal year end. This date would be March 31, 2008 for the City of Southfield, Michigan.</p> <p>Condition - The City's report of federal awards were not completed in a timely manner and, therefore, the submission deadline was not met.</p> <p>Questioned Costs - None</p> <p>Context - The untimeliness of the preparation of the City's report of federal awards could result in a loss of federal grant monies.</p> <p>Effect - The City's report of federal awards were not completed in a timely manner.</p> <p>Cause - Financial statement audit findings noted above as well as the understaffing in some City departments contributed to the delay.</p> <p>Recommendation - We encourage the City to review its process and controls over reporting of federal awards and to prioritize the workload of the staff that are key to the financial statement audit process.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City will review its process and establish controls over its reporting of federal awards.</p>

City of Southfield, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2007-12	<p>Incomplete Schedule of Expenditures of Federal Awards</p> <p>Finding Type - Material noncompliance, material weakness</p> <p>Criteria - The City is responsible to report all federal grant dollars on the schedule of expenditures of federal awards within the federal award supplement information report.</p> <p>Condition - The City omitted approximately \$367,100 of federal grant dollars received and spent from its schedule of expenditures of federal awards related to the Wet Weather Demonstration Grant (River Rouge Project), which is passed through Oakland County.</p> <p>Questioned Costs - None</p> <p>Context - The omission could have resulted in the schedule of expenditures of federal awards being incomplete and, due to the size of the program, the necessary audit testing may not have been performed as would be required.</p> <p>Effect - The City's report of federal awards was incomplete and the additional grant dollars were discovered and identified through the audit process.</p> <p>Cause - Lack of communication between the grant departments and the accounting departments</p> <p>Recommendation - We encourage the City to review its process and controls over reporting of federal awards and ensure a process is in place to communicate all federal awards to the accounting department to ensure all spending related to grants is properly recorded.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City will review its process to ensure enhanced department communication to ensure controls over its reporting of federal awards.</p>

City of Southfield, Michigan

Summary Schedule of Prior Year Audit Findings Year Ended June 30, 2007

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Comments
2006	1	Bank reconciliations were not prepared on a timely basis for all of the City's accounts.	n/a	None	The City will review its bank reconciliation process and establish controls to ensure that timely reconciliations are prepared. The bank accounts were materially reconciled for the year ended June 30, 2006; however, for the fiscal year ended June 30, 2007, this is a repeat finding.
2006	2	The City does not have adequate segregation of duties.	n/a	None	The City will review its process and establish controls to ensure adequate segregation of duties within the cash cycle. For the fiscal year ended June 30, 2007, this is a repeat finding.
2006	6	Journal entries posted throughout the year are not approved or reviewed.	n/a	None	The City will review its process and establish criteria for journal entries posted. For the fiscal year ended June 30, 2007, this is a repeat finding.
2006	10	The grant agreement dictates that the City must submit quarterly status reports to the County of Wayne. The City did not submit any status reports to the County during the year.	66.606	None	The County has not enforced the quarterly status reporting; however, status updates continue to be provided to the County as part of the reimbursement request process. These are done on an as-needed basis. All reimbursement requests submitted for this project subsequent to year end were granted.



Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 207
Southfield, MI 48034-0207
Tel: 248.332.2500
Fax: 248.332.0018
plante@moran.com

October 20, 2008

To the Honorable Mayor and
Members of the City Council
City of Southfield
26000 Evergreen Road
Southfield, MI 48076

Dear Sirs and Mesdames:

We have recently completed the audit of the financial statements of City of Southfield for the year ended June 30, 2007. As a result of our audit and in addition to our financial report, we have the following comments for your review.

Financial Results

For the year ended June 30, 2007, fund balance in the General Fund increased by approximately \$700,000. This increase in fund balance was realized even with overall General Fund revenue falling short of the anticipated budget by approximately \$680,000. The City offset this revenue shortfall by continuing to control expenditures. This allowed the General Fund's overall fund balance to increase while the budget had anticipated a decrease in fund balance of approximately \$2 million. These results are quite positive, in light of the declining revenues that you (and most other municipalities) are experiencing. We encourage you to read the complete Management's Discussion and Analysis section of the financial statements for a more complete discussion of your finances which indicates that these results are currently in line with the City's fund balance stabilization plan that was set up to properly address the ongoing economic challenges that the City will continue to face.

Condition of Accounting Records and Controls

We would like to commend the City and its staff for the continued significant time commitment and the dedication that they put forth over the past two years in order to ensure that the City received an unqualified opinion and that the financial statement amounts and disclosures were properly stated and supported. During this time, the City's departments made great strides in improving their fixed asset records, sharing information among departments, reconciling numerous general ledger accounts, and improving other processes. In addition, the City is committed to, and is in the process of, continuing to enhance its internal controls and reconciliation processes during the current year to address the items we noted during the audit process.

Plante & Moran
27400 Northwestern Highway
P.O. Box 207
Southfield, MI 48034-0207
Tel: 248.332.2500
Fax: 248.332.0018
plante@moran.com

Internal Control

In addition to the comments and recommendations in this letter, our observations and comments regarding the City of Southfield's internal controls, including any significant deficiencies or material weaknesses that we identified, have been reported to you in the accompanying Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. This report is included in the supplementary Schedule of Federal Financial Assistance (the single audit report), and we recommend that the matters we have noted there receive your careful consideration.

Other

Postemployment Benefits

The City has been proactive in beginning to fund its future expected postemployment healthcare benefits. The City has been contributing to a Retiree Healthcare Benefit Trust and obtaining an actuarial valuation on the accrued liability since 2001. As of June 30, 2009, the Governmental Accounting Standards Board Statement No. 45 will require the City to disclose the total liability for retiree healthcare. In addition, the actuary will determine an annual required contribution that is necessary to ensure the health of the fund. The City's progress in funding this liability will be disclosed in the financial statements and any annual shortfalls in funding will be shown as an accrued liability to be disclosed on the government-wide financial statements.

Legislative Items

Property Tax Developments

The front page story several months ago is now old news. For many communities in Michigan, the challenging real estate market will negatively change the taxable value trends of recent years. The City's July 1, 2008 taxable value increased only 0.9%; Oakland County is currently anticipating a 4.5% decline for the July 1, 2009 tax billing. Further, they are predicting that it will be 3-5 years before taxable values return to today's levels. While the exact values remain to be seen, it is clear that the City needs to keep a very watchful eye on property tax revenue, its single largest revenue source.

While each community will need to carefully determine the impact of the current environment on its budget, there are also several pieces of legislation in Lansing that will impact property taxes going forward. Examples include:

- House Bill 4215 (Public Act 96 of 2008) allows property owners to obtain two principal residence exemptions in certain situations. The bill was designed for situations where a homeowner has purchased a new home and is unable to sell the existing home. The dual exemption only applies if certain conditions are met (i.e. the property previously occupied is for sale, not occupied, not leased or available for lease, etc.).

- A series of bills were introduced in March 2007 as part of a package to stimulate home sales (House Bills 4440, 4441 and 4442). The lead bill of that package, House Bill 4440, establishes an 18 month moratorium on the “pop-up” or “uncapping” of taxable value to state equalized value at the time of sale or transfer of a property. Property sales or transfers occurring in the timeframe of the moratorium would continue to pay property taxes at the previous taxable value amount. The “pop-up” or “uncapping” of taxable value would be delayed until the property was sold or transferred in later years. House Bill 4440 actually passed the House in March 2007 and is currently in the Michigan Senate.

Many property owners continue to struggle with the concept that their individual taxable values actually increased during a time that overall property values – and even their individual property values – have fallen. As we all have re-learned in recent months, that is a constitutional requirement that changed with Proposal A in 1994. It may be helpful to remember the principle behind Proposal A – its purpose was to disconnect taxable values from market value increases, and instead limit the growth in taxable values to the lesser of 5% or inflation, until the point that the property transfers ownership. Now that the market values are declining in many areas, Proposal A continues to stay disconnected, and allows the taxable value to increase by the lesser of 5% or inflation (up until the point that it re-connects with market values).

Fairly or not, this year, many property owners said it did not feel right when they saw their taxable value increase by inflation when market value did not. This has led to a discussion as to whether a third variable, called “change in market value”, needs to be added to the Proposal A formula. In what some are calling a “super cap”, the Proposal A formula to determine annual increases in taxable value (if property is not sold or transferred) would be the lesser of three components: inflation, change in market value or 5 percent. Therefore, if the market value of the parcel was either flat or declining - even if the taxable value of the particular parcel was less than state equalized value – there would be NO annual increase. To date, a proposal to accomplish this change has not moved through the Legislature. A change of this nature would impact local government budgets.

- As part of the changes to the Single Business Tax last year and the introduction of the Michigan Business Tax, changes were also made to the calculation of tax rates applicable to industrial and commercial personal property taxes. As advertised, industrial personal property taxpayers received a reduction of the school operating mills (up to 18 mills) and the 6 mill state education tax. Commercial personal property taxpayers received a reduction of up to 12 school operating mills. However, if your community has a school district with “hold harmless” school mills, you must add back any hold harmless millage prior to computing the total mills to be levied. This may generate questions from commercial and industrial taxpayers.

- A Michigan Supreme Court case has changed how local governments can treat public service improvements by developers. Leading up to the court case, as private property owners or developers installed public service improvements (i.e. such as street lights, water and sewer lines, etc.) there was normally an increase in their property tax assessment. The Michigan Supreme Court upheld a Court of Appeals ruling that the installation of public service improvements do not constitute a taxable addition.

State Shared Revenue

The table below details state shared revenue for the City since 2003, broken out by statutory and constitutional portions.

State Fiscal Year	Constitutional	Statutory	Total
2003	\$ 5,217,380	\$ 3,295,883	\$ 8,513,263
2004	5,160,709	2,490,610	7,651,319
2005	5,283,866	2,284,054	7,567,920
2006	5,373,824	2,109,890	7,483,714
2007	5,262,163	1,998,686	7,260,849
2008	5,437,851	1,822,998	7,260,849

It is heartening to see the Legislature work to maintain state shared revenue at its current levels. However, in light of the current economic environment, we strongly encourage local governments to be conservative when budgeting or projecting revenue sharing for the next few years.

Reminder - Change in Investment Act

Public Act 213 of 2007, adopted at the end of 2007 requires local governments to perform their investment reporting quarterly to the governing body. The investment of surplus monies by Michigan local governments is controlled by Public Act 20 of 1943. The Act previously required investment reporting annually. It is suggested that the required quarterly reports list investments by institution along with maturity dates and interest rates.

Recent Revisions to State Transportation Funding Program

Current legislation modified Act 51 to allow local governments to transfer monies from their Major Street Fund to their Local Street Fund at a level of 50 percent of annual major street funding received. In addition, greater than 50 percent can be transferred. However, the amended law requires that certain conditions be met to allow for a transfer in excess of 50 percent including the adoption of an asset management process for the Major and Local Street systems as well as a detailed resolution passed by the City. It is important to note that major street monies transferred for use on local streets cannot be used for construction but may be used for preservation. Current legislation also includes a pilot program that would allow for the combination of the Major Street Fund and the Local Street Fund if certain conditions are met.

Other Legislative Items

- As part of Michigan's new "Planning Enabling Act", many local governments will now be required to prepare an annual "capital improvements program". This new requirement is effective September 1, 2008. According to Public Act 33 of 2008, a planning commission, after the adoption of a master plan, shall annually prepare a capital improvements program of public structures and improvements. The law does allow that if the planning commission is exempted from this requirement, the legislative body shall prepare and adopt a capital improvements program or delegate this responsibility to the administration of the local unit for the ultimate approval by the legislative body. The law provides that the capital improvement program report public structures and improvements that, in the community's judgment, will be needed or desirable within the next six years. The law also requires that the public structures and improvements included in the capital improvements program be prioritized. Townships that do not either individually or jointly own or operate a water supply or sewage disposal system are exempt from this requirement. In general, Plante & Moran strongly encourages the development of a capital plan. While the law is restricted to "public structures and improvements," we strongly encourage the inclusion of all capital assets - vehicles, machinery and equipment, office furnishing, etc. In addition, we feel the participation of the governing body in addition to (or instead of) the planning commission is good public policy.

This same public act added several other requirements of planning commissions, including annual reporting by the planning commission to the legislative body along with the mandatory creation of a master plan.

- Multiple bills are pending in Lansing that would make changes to investment laws governing Michigan communities. Changes have been proposed to add different types of investments to what is commonly referred to as "Public Act 20" which governs the investment of surplus operating monies. Changes are also being proposed to the laws governing the investment of retirement monies.

- A bill is pending in the Michigan Legislature regarding retainages held by governmental units. Retainages are a common method used by local governments in procurement, particularly in the area of construction contracts. The law change focuses on reducing the retainage amount that a local government could require, and stipulates the payment of interest on these monies among other provisions.
- Efforts continue in the wake of the Bolt case to provide a means for local units of government to engage in rate making to finance the cost of utility operations, particularly that of storm water. Senate Bill 1249 has been introduced to address the tests included in the Bolt decision on whether a charge is really a fee or a tax.
- At the Federal level, a 2005 law change continues to get more attention as its effective date approaches. As part of the Tax Increase Prevention and Reconciliation Act of 2005, a new mandate was introduced which will require any governmental entity spending more than \$100 million a year in goods and services to withhold 3 percent of government payments beginning in 2011. Governmental units subject to this requirement will also be subject to new reporting rules for applicable payments. Numerous groups – both public and private sector, including the US Department of Defense – have expressed concerns on the cost and practicality of implementing this new mandate. A bill is pending in Congress to delay implementation by a year until January 2012.

We would like to thank the City and its staff for its strong commitment this year in completing the required tasks to ensure the City received an unqualified opinion and to make the commitment to continue to enhance its processes in order to continually strive to operate more efficiently. We would also like to thank the City for the opportunity to serve as your auditors and for the assistance and cooperation that we received from City of Southfield's accounting staff and the rest of the City's personnel during this audit process. We would be happy to answer any questions or concerns you have regarding the annual financial report and the above comments at your convenience.

Very truly yours,

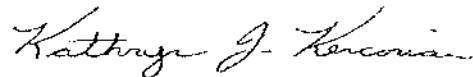
Plante & Moran, PLLC



Leslie J. Pulver



Beth A. Bialy



Kathryn J. Kercorian